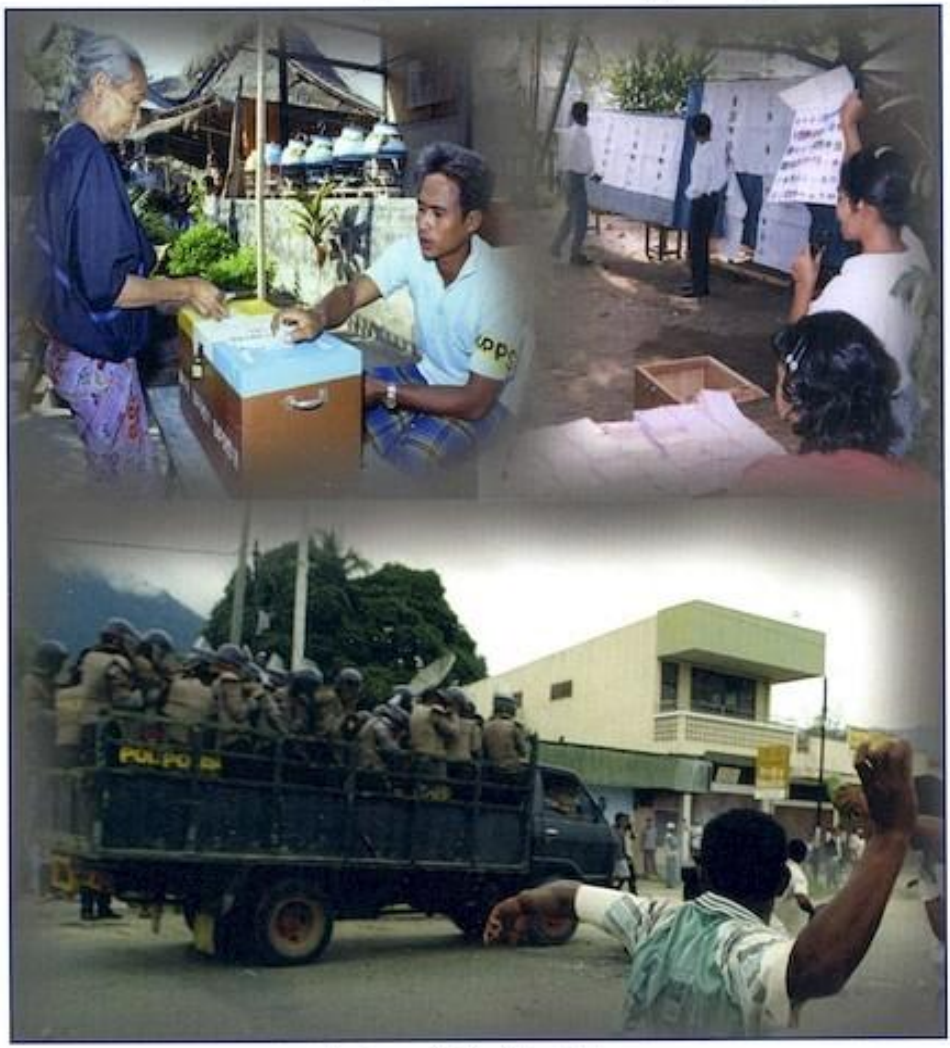
# LOCAL POWER and POLITICS in INDONESIA

## Decentralisation & Democratisation

edited by
Edward Aspinall and Greg Fealy



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# LOCAL POWER and POLITICS in INDONESIA

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Indonesia Update Series

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Edward Aspinall and Greg Fealy

ISEAS
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Edward Aspinall and Greg Fealy
*February 2003*

# GLOSSARY

| | |
|---|---|
| ABRI Masuk Desa | ABRI Enters the Village, village development program run by the military |
| *adat* | tradition, custom |
| ADB | Asian Development Bank |
| Aisyiyah | women's organisation associated with Muhammadiyah |
| APHI | Asosiasi Pengusaha Hutan Indonesia (Indonesian Forest Concessionaires Association) |
| Apkasi | Asosiasi Pemerintah Kabupaten Seluruh Indonesia (Association of District Governments across Indonesia) |
| AusAID | Australian Agency for International Development |
| Babinsa | Bintara Pembinaan Desa (Soldiers for Village Development), lowest level of TNI command system |
| Bapedal | Badan Pengendalian Dampak Lingkungan (Environmental Impact Management Agency) |
| Bappit | Badan Pengelola Perusahaan Industri dan Tambang (Managing Council for Industrial and Mining Companies) |
| Bassra | Badan Silaturrahmi Ulama Pesantren Madura (Cooperative Forum of Pesantren Scholars of Madura) |
| BHMN | Badan Hukum Milik Negara (public corporation) |
| BIN | Badan Intelijen Negara (National Intelligence Agency) |
| BKD | Badan Kepegawaian Daerah (Regional Civil Service Agency) |
| BKN | Badan Kepegawaian Nasional (National Civil Service Agency) |

| | |
|---|---|
| BLBI | Bantuan Likuiditas Bank Indonesia (Bank of Indonesia Liquidity Credit) |
| BPD | Badan Perwakilan Desa (Village Representative Board) |
| BPK | Badan Pemeriksaan Keuangan (State Audit Board) |
| BPN | Badan Pertanahan Nasional (National Land Agency) |
| BPS | Badan Pusat Statistik (Statistics Indonesia, the Central Statistics Agency, formerly Central Bureau of Statistics) |
| BUMD | Badan Usaha Milik Daerah (regional public enterprise) |
| BUMN | Badan Usaha Milik Negara (state-owned enterprise) |
| *bundo kanduang* | a senior, respected woman in the family, West Sumatra (literally, 'mother') |
| *bupati* | head of a *kabupaten* (district) |
| CIFOR | Center for International Forestry Research |
| Daerah Istimewa | Special Region |
| DAK | Dana Alokasi Khusus (Special Allocation Fund) |
| Darul Islam | Realm of Islam (name of Islamic rebellion in Indonesia, 1948–62) |
| DAU | Dana Alokasi Umum (General Allocation Fund) |
| *dinas* | local government service department, responsible to the provincial governor, and with indirect links to the relevant central government department |
| DKI | Daerah Khusus Ibukota (Special Capital Region) |
| DPD | Dewan Perwakilan Daerah (Regional Representative Council) |
| DPR | Dewan Perwakilan Rakyat (People's Representative Council), Indonesia's parliament |
| DPRD | Dewan Perwakilan Rakyat Daerah (Regional People's Representative Council), provincial and district parliament |
| *dwifungsi* | the army's 'dual function' (military and sociopolitical) in New Order Indonesia |
| Elsham | Lembaga Studi dan Advokasi Hak Asasi Manusia (Institute for Human Rights Study and Advocacy) |
| Fatayat | NU young women's organisation |
| FKMSB | Forum Komunikasi Mahasiswa Sumatera Barat (West Sumatra Student Forum for Communication) |
| FKPPI | Forum Komunikasi Putra-Putri Purnawirawan ABRI (Communications Forum for the Sons and Daughters of Military Retirees) |

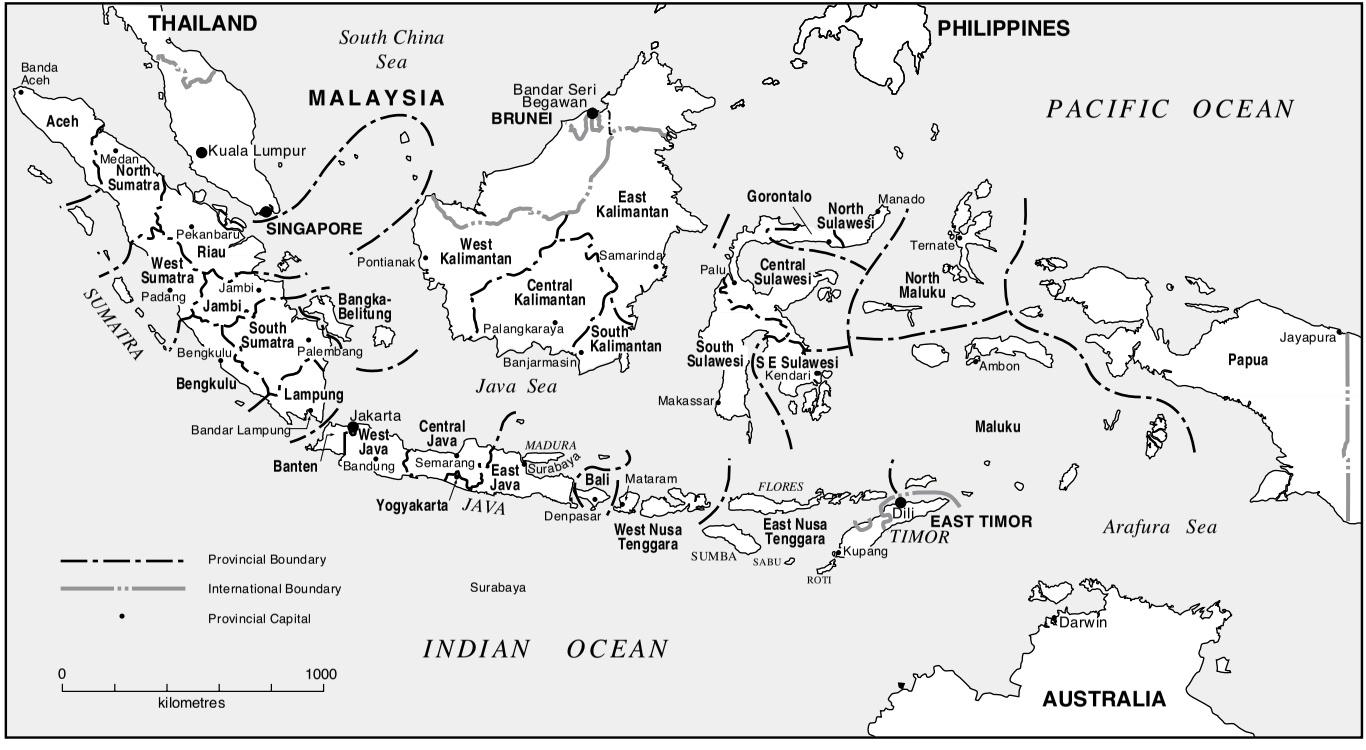
| | |
|---|---|
| FM2S | Forum Masyarakat Majalaya Sejahtera (Forum for a Prosperous Majalaya) |
| Foker | Forum LSM Papua (Forum for NGO Cooperation in Papua) |
| FPI | Front Pembela Islam (Islamic Defenders' Front) |
| GAM | Gerakan Aceh Merdeka (Free Aceh Movement) |
| GBHN | Garis-garis Besar Haluan Negara (Broad Outlines of State Policy) |
| GDP | gross domestic product |
| GMKI | Gerakan Mahasiswa Kristen Indonesia (Indonesian Christian Students Movement) |
| GMNI | Gerakan Mahasiswa Nasionalis Indonesia (Indonesian Nationalist Students Movement) |
| Golkar | Golongan Karya (state political party under the New Order, and one of the major post-New Order parties) |
| GTZ | Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation) |
| Guided Democracy | semi-authoritarian regime led by Sukarno (1959–66) |
| *hak ulayat* | communal or traditional right to land |
| HGU | *hak guna usaha* (land cultivation rights) |
| HMI | Himpunan Mahasiswa Islam (Association of Muslim Students), a modernist Islamic student organisation |
| HPH | Hak Pengusahaan Hutan (Timber Concession Rights) |
| HPHH | Hak Pemungutan Hasil Hutan (Forest Product Harvesting Rights) |
| IBRA | Indonesian Bank Restructuring Agency |
| ICMI | Ikatan Cendekiawan Muslim se-Indonesia (Association of Indonesian Muslim Intellectuals) |
| IMF | International Monetary Fund |
| IPK | Ikatan Pemuda Karya (Functional Youth Association) |
| IPPK | Ijin Pemungutan dan Pemanfaatan Kayu (Timber Extraction and Utilisation Rights) |
| IRDA | Indonesia Rapid Decentralisation Appraisal |
| JI | Jemaah Islamiyah (Islamic Congregation), an Islamic extremist group that has been accused of terrorism |
| *kabupaten* | district, regency |
| Kadin | Kamar Dagang dan Industri (Chamber of Commerce and Industry) |

| | |
|---|---|
| *kantor* | office |
| *kanwil* | *kantor wilayah* (provincial-level office of a central government ministry) |
| *karesidenan* | *see* residency |
| *kecamatan* | subdistrict |
| *kelurahan* | village administrative unit (below *kecamatan*) |
| *kiai* | Islamic scholar, teacher and leader |
| KKN | *korupsi*, *kolusi*, *nepotisme* (corruption, collusion, nepotism) |
| KNPI | Komite Nasional Pemuda Indonesia (National Council of Indonesian Youth) |
| Kodam | Komando Daerah Militer (Regional Army Command) |
| Kodim | Komando Distrik Militer (District Military Command) |
| Komnas HAM | National Human Rights Commission |
| Kopassus | Komando Pasukan Khusus (Special Forces Command) |
| Koramil | Komando Rayon Militer (Subdistrict Military Command) |
| Korem | Komando Resort Militer (Resort Military Command) |
| Kostrad | Komando Cadangan Strategis Angkatan Darat (Army Strategic Reserve Command) |
| *kota* | municipality |
| *kotamadya* | municipality (now *kota*) |
| KPI | Koalisi Perempuan Indonesia (Indonesian Women's Coalition) |
| *krismon* | *krisis moneter* (monetary crisis) |
| LAM | Lembaga Adat Melayu (Malay Cultural Institute) |
| LKAAM | Lembaga Kerapatan Adat Alam Minangkabau (Forum of Adat Associations of the Minangkabau World) |
| LKMD | Lembaga Ketahanan Masyarakat Desa (Village Community Resilience Board) |
| LMD | Lembaga Musyawarah Desa (Village Consultative Assembly) |
| LP3 | Lembaga Pengembangan Pendekatan Partisipatif (Institute for Development of a Participatory Approach) |
| LPEM | Lembaga Penelitian Ekonomi dan Manajemen (Economics and Management Research Institute, University of Indonesia) |
| Menpan | Kementerian Pendayagunaan Aparatur Negara (Ministry for Administrative Reform) |
| *merdeka* | freedom, independence |

| | |
|---|---|
| MPR | Majelis Permusyawaratan Rakyat (People's Consultative Assembly), supreme decision-making body comprising members of parliament and regional, military and community representatives |
| MRP | Majelis Rakyat Papua (Papuan People's Assembly) |
| Muhammadiyah | Indonesia's largest modernist Islamic organisation |
| MUI | Majelis Ulama Indonesia (Indonesian Council of Ulama) |
| Muslimat | NU women's organisation |
| NEP | New Economic Policy (Malaysia, 1970–90) |
| New Order | the Soeharto era, 1966 to 1998 |
| NGO | non-government organisation |
| NU | Nahdlatul Ulama (Revival of the Religious Scholars), Indonesia's largest traditionalist Islamic organisation |
| OECD | Organisation for Economic Cooperation and Development |
| OPM | Organisasi Papua Merdeka (Free Papua Organisation) |
| PAD | Pendapatan Asli Daerah (locally derived revenue) |
| PAM Swakarsa | Pengamanan Swakarsa (Voluntary Security Guards) |
| PAN | Partai Amanat Nasional (National Mandate Party) |
| Pancasila | the five guiding principles of the Indonesian state |
| PDI | Partai Demokrasi Indonesia (Indonesian Democracy Party), the party from which the PDI-P split in 1997 |
| PDI-P | Partai Demokrasi Indonesia – Perjuangan (Indonesian Democratic Party of Struggle), party led by Megawati Sukarnoputri |
| PDP | Presidium Dewan Papua (Presidium of the Papua Council) |
| Pemuda Pancasila | Pancasila Youth, a New Order youth organisation closely involved in criminal activity |
| Perekat Ombara | Persekutuan Masyarakat Adat Lombok Utara (Alliance of Indigenous People of North Lombok) |
| Persero | Perusahaan Perseroan (limited liability [commercial] state enterprise) |
| *pesantren* | Islamic boarding school |
| PKB | Partai Kebangkitan Bangsa (National Awakening Party), party of which Abdurrahman Wahid is a key figure |
| PKI | Partai Komunis Indonesia (Indonesian Communist Party) |
| PKK | Pembinaan Kesejahteraan Keluarga (Family Welfare Movement), now Pemberdayaan Kesejahteraan Keluarga (Family Welfare Empowerment Movement) |

| | |
|---|---|
| PKP | Partai Keadilan dan Persatuan (Justice and Unity Party), a military-led split from Golkar |
| PN | Perusahaan Negara (state enterprise) |
| PNI | Partai Nasional Indonesia (Indonesian Nationalist Party), founded by President Sukarno in 1927 and amalgamated with four other non-Muslim parties in 1976 under Soeharto as the PDI; hence its predecessor |
| PP | Peraturan Pemerintah (Government Regulation) |
| PPP | Partai Persatuan Pembangunan (United Development Party), Islamic political party |
| PRD | Partai Rakyat Demokratik (People's Democratic Party) |
| *preman politik* | political thug |
| *preman* | extortionist, standover criminal, gangster |
| *premanisme* | gangsterism |
| Propenas | Program Pembangunan Nasional (National Development Program) |
| PSPK | Pusat Studi Pengembangan Kawasan (Centre for Regional Development Studies) |
| PT | Perseroan Terbatas (limited liability company) |
| *putra daerah* | local inhabitants (literally, 'sons of the region') |
| *reformasi* | reform |
| residency | a Dutch colonial administrative unit composed of several regencies (districts); provinces were later formed from groups of residencies |
| Rp | rupiah |
| Satgas Papua | Papuan Taskforce (pro-independence militia in Papua affiliated with the PDP) |
| *satgas* | *satuan tugas* (security forces, civilian militia) |
| SBI | Sertifikat Bank Indonesia (Bank Indonesia Certificate) |
| Sekda | Sekretariat Daerah (Regional Secretariat) |
| SK | *surat keterangan* (letter of instruction) |
| Sompis | Solidaritas Masyarakat Pinggiran Surakarta (Surakarta Marginalised People's Solidarity) |
| SPM | Standar Pelayanan Minim (Minimum Service Standards) |
| SPP | Serikat Petani Pasundan (Pasundan Federation of Farmers) |
| SPSI | Serikat Pekerja Seluruh Indonesia (All-Indonesia Workers Union) |
| *syariah* | Islamic law |

| | |
|---|---|
| TMD | TNI Masuk Desa (TNI Enters the Village), village development programs run by the military |
| TNI | Tentara Nasional Indonesia (Indonesian National Army), consisting of the army, navy and airforce |
| *undang-undang* | law |
| UNDP | United Nations Development Program |
| USAID | United States Agency for International Development |
| VAT | value-added tax |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# 1 INTRODUCTION: DECENTRALISATION, DEMOCRATISATION AND THE RISE OF THE LOCAL

*Edward Aspinall and Greg Fealy*

During the 32 years of Soeharto's New Order regime (1966–98), observers of Indonesian politics and society became accustomed to continuity. The pace of political change was glacial, despite rapid economic growth and modernisation. Soeharto faced serious challenges from time to time, but succeeded for the most part in co-opting or suppressing his opponents. Between 1973 (when Indonesia's political parties were forced into debilitating amalgamations) and 1998, no major reform of the political structure took place. By contrast, Soeharto's fall in May 1998 triggered a dramatic, and at times chaotic, transformation. Old certainties have been overturned or contested in almost every sphere: restrictions on political parties have been lifted and democratic elections held, the army has been forced to make a significant withdrawal from political life, cultural expression has flowered, and the formal separation of Islam and the state has been challenged by fundamentalist groups, to name just a few obvious examples.

One area where change has been very rapid has been in relations between Jakarta and the regions. World attention has focused on the most dramatic cases where secessionist movements have struggled for independence, successfully in the case of East Timor. At the same time, a somewhat less tumultuous, but equally profound, transformation has been proceeding in every region of Indonesia. Driven by the parallel processes of democratisation and decentralisation, a dramatic reworking of the country's political landscape is under way. Extensive powers have been devolved to regional governments, new struggles for political and economic power have erupted at the local level, novel forms of politics based on local identity are emerging, and there has been a flourishing of grassroots civil society. This book represents a preliminary attempt to come to grips with this profound transformation and the manifold ways in which the

rise of the local has affected virtually every aspect of Indonesia's politics, economy and society.

The structuring of centre–region relations in Indonesia changed little between the late 1950s and the late 1990s. Sukarno's 'Guided Democracy' (1959–66) and Soeharto's New Order were centralised, authoritarian regimes in which the authorities saw regionalism as a major threat to Indonesia's survival as a unitary state. The New Order in particular built an extensive edifice of state surveillance and control to ensure that central government policies and directions were enforced right down to the village level. Uniform administrative structures and procedures were imposed across the nation, often replacing long-established and effective local forms of community leadership and dispute settlement. Power relations during this period were essentially pyramidal. At the apex of the pyramid stood Soeharto, supported by the key pillars of the regime: the military and the central bureaucracy. Chains of command and patronage then extended down through the provincial, district and subdistrict tiers of government, with officials at each level owing allegiance to those directly above them while also having responsibility for ensuring compliance from those below. Jakarta was intolerant of dissent, and local leaders or organisations that resisted central government policies were viewed with suspicion and often subject to intimidation and repression.

Thus, for four decades, the regions had neither influence over national government policies nor the power to control their own affairs. Local politics and power constellations reflected the interests of the centre rather than those of the regions. Communities had scant opportunity to participate in local politics, while provincial and district legislatures and governments seldom dared to voice concern at national decisions that they viewed as inimical to local interests.

The fall of Soeharto ushered in what is popularly referred to as the *era reformasi* (era of reform). The basic demand of the *reformasi* movement in its varied manifestations was democratisation of the political structure. Core challenges, such as freeing the press, lifting restrictions on parties and reducing the military's political role, were national in scope. However, in an atmosphere where every element of the old political format was under challenge, it was perhaps inevitable that calls for democratisation would give rise to demands for the restructuring of relations between Jakarta and the regions. Almost immediately after Soeharto's resignation, local leaders gave voice to long-suppressed grievances against the perceived excesses of centralised rule and called for greater regional control over political and economic affairs. These calls were especially loud in resource-rich provinces such as Aceh, Riau, East Kalimantan and Papua. Regional autonomy was justified as both democratic, in that it would restore control over their own affairs to local communities, and equitable, as it would give the regions a greater share of the wealth produced within their own borders.

The Habibie government (May 1998 – October 1999), keen to distance itself from the Soeharto regime and to establish its reform credentials, made democratic elections and local autonomy two of the cornerstones of its legislative agenda. It revoked most of the Soeharto-era laws restricting political parties and introduced major electoral reforms. In June 1999, Indonesia's first relatively free and fair general elections in 44 years were held, with the people simultaneously electing representatives to the national, provincial and district parliaments. Soon afterwards, the government introduced legislation for one of the most radical decentralisation programs attempted anywhere in the world. A key feature of the bills was that a wide array of powers would be devolved not to the first tier of regional government – that is, the provinces – but to the second tier, the district (*kabupaten*/*kota*) level. According to this blueprint, Indonesia would, in the space of two years, see significant authority devolved from a single, highly centralised regime in Jakarta to more than 360 district-level governments and parliaments. The decentralisation laws were passed by the national parliament in August 1999 and came into effect on 1 January 2001.

This book examines the impact of decentralisation and democratisation on local politics and power relations. Most of the contributions are based on papers presented to the twentieth annual Indonesia Update conference at the Australian National University, 28–29 September 2002, on the theme 'Local Power and Politics'. In keeping with past practice, part of the conference was devoted to an overview of recent political and economic developments, presented in this book as chapters by Harold Crouch (Chapter 2) and Mohamad Ikhsan (Chapter 3). The conference also brought together a diverse range of government officials, academics and program officers from NGOs to discuss the philosophy, implementation, interim results and longer-term prospects of decentralisation and democratisation. At the time of the conference, decentralisation had been under way for about 20 months. There was, however, already intense debate within Indonesia and among foreign agencies and academics over the merits and outcomes of district-centred devolution.

## THE DECENTRALISATION LEGISLATION

The decentralisation process is based on Laws 22 and 25 of 1999. Law No. 22/1999 on regional government dealt with the devolution of political authority, and Law No. 25/1999 on fiscal balance set out a new system of fiscal arrangements under which the regions would gain a far larger share of the revenue generated within their borders. Under the new system, the central government is required to cede authority to regional governments in all fields except foreign policy, defence and security, monetary policy, the legal system and religious affairs. It also retains control of a number of specific functions such as national

planning and the setting and supervision of technical standards. Thus district governments, whose powers had previously been strictly circumscribed, were now to take on full responsibility for such important areas as education, health, the environment, labour, public works and natural resource management. Local parliaments gained the power to elect and dismiss district heads of government (that is, *bupati* and mayors) and to determine budgets and the organisational structure of the bureaucracy. The role of the provinces was confined to such areas as mediating disputes between districts, facilitating cross-district development and representing the central government within the region. Provincial legislatures could elect governors, but Jakarta's approval was required before a governor could be installed or removed.

The rationale behind this district-focused decentralisation was two-fold. First, the legislation's architects argued that shifting authority to the subprovincial level would promote democratisation, because communities had a far greater awareness of and sense of engagement with local politics than they did with either provincial or national affairs. District-based autonomy would thus bring decision-making to a level where communities were more inclined to participate and where they could hold politicians accountable for their actions.

Second, district-level autonomy was seen as the best way to ensure that decentralisation did not encourage separatism and the break-up of the country. According to this argument, separatist sentiment had historically been focused at the provincial level, particularly where there were one or two dominant ethnic groups in the province. The several hundred districts were much smaller territorial units than provinces, and were thus less likely to be viewed by their inhabitants as viable independent states. They were also less likely to be viewed as the homeland of any major ethnic group, which would instead normally be divided among at least several districts. Devolving power to the districts was thus partly aimed at diverting local communities' attention away from ethno-regional concerns and towards immediate local economic and governmental issues. In fact, it was envisaged that many districts would see neighbouring areas as competitors for investment and resources, even in cases where they shared a common ethnic or religious background.

## THE DEBATE ON DECENTRALISATION AND DEMOCRATISATION

Indonesia's decentralisation laws aroused controversy from the moment they were first proposed. Broadly, criticism has been of two types: first, that the laws would lead to a declining quality of governance, and second, that they would undermine national cohesion.

## Governance

There are multiple elements to the governance issue, including the incapacity of local administrations, growing inequalities between rich and poor regions, and worsening corruption and money politics. One of the most commonly heard objections is that regional governments and legislatures lack the capacity to manage their vastly increased responsibilities, with potentially grave consequences for service delivery, economic activity and grassroots democracy. In this view, the local legislatures elected in 1999 were filled either with corrupt holdovers from the Soeharto era or with new members who lacked the skills and experience to draft regulations and monitor government activities. Regional bureaucracies were similarly ill-equipped, having relatively few well-qualified and experienced civil servants, and also being subject to a decades-long culture of top-down control that stifled initiative and allowed little scope for public consultation. Hence, the sceptics argued, autonomy was likely to degrade standards of public service across the country.

Another popular criticism was that the new rules for the distribution of government revenue would exacerbate regional inequality. Districts with ample natural resources stood to gain large increases in revenue, while resource-poor regions, such as those in much of eastern Indonesia, would suffer falling income and risk getting caught in a cycle of poverty and underdevelopment. For all the New Order's centralism, it had a reasonable record for equitable distribution of revenue between rich and poor provinces (Hill 1994: 108–14). But with far greater wealth staying in a relatively small number of resource-rich provinces, the size of the cake available to support poor regions will inevitably be much smaller.

The corruption issue also features prominently in anti-decentralisation arguments. It has often been asserted that autonomy will lead to growing corruption in local government and politics. Under Soeharto, so one popular argument went, there may have been serious corruption, but at least it had been centrally managed and was thus predictable. Autonomy, in contrast, would transfer corruption to the local level where it might get out of control.[1] Instead of a single centre of power managing the distribution of patronage, there would be many 'little Soehartos' at the local level, each struggling for access to the same economic resources. Such concerns have appeared against a background of several spectacular cases of 'money politics' in elections for *bupati* and other local government positions, involving blatant vote buying, influence peddling and even the involvement of local criminal networks (see Vedi R. Hadiz, Chapter 8). These incidents recall the phenomena of 'bossism' and strong-man politics long visible at the local level under nominally democratic regimes in Thailand (McVey 2000) and the Philippines (Sidel 1999).

Long before the autonomy laws came into effect, there had been blatant attempts by local governments in some regions to extort greater payments from businesses, often with only a tenuous legal basis for their actions. In the district of Minahasa in North Sulawesi, for example, the local government attempted to tax the Newmont goldmining company for waste rock removed from the site of its goldmine (Solomon 2000). In the months that followed the implementation of the decentralisation laws, district governments introduced a wide array of new taxes and charges, in many cases exceeding their legal authority in doing so. In September 2001, the Indonesian Chamber of Commerce and Industry (Kadin) announced that it had identified 1,006 local government regulations that were burdensome for industry, such as taxes levied on the transport of goods between districts.

Not all of these imposts are due to avarice; some are to raise revenue for local infrastructure and welfare projects. Nevertheless, many of the new taxes and charges are in breach of national laws. At times this is done unwittingly, but more often local governments calculate that the central government lacks the resolve to overturn such taxes. Critics in fact assert that the central government is overwhelmed by the task of supervising more than 360 local governments to ensure compliance with national statutes. This has led to legal uncertainty and administrative turmoil.

## National Unity

The second major theme among those opposed to decentralisation is that it may encourage dangerous new forms of local identity politics and thereby weaken the bonds of Indonesian national unity. Communal conflicts proliferated, sometimes with frightening intensity, during the last sclerotic years of the New Order. Immediately after the collapse of centralised state control in 1998, long-repressed ethnic, religious and regional tensions and aspirations erupted violently in some parts of the archipelago, leading to great loss of life in Maluku, Kalimantan and elsewhere. In some of these cases, the violence was instigated or exacerbated by local ethnic elites pursuing political office and the material benefits that go with it (van Klinken 2001, 2002). Even where there was no serious violence, communal and ethnic dynamics frequently intersected with the politics of democratisation and decentralisation in the struggle for local political power and economic resources.

In particular, many regions have witnessed campaigns for local people or *putra daerah* (literally, ‘sons of the region’) to control local government and secure preferential treatment for their communities in the allocation of economic resources and government positions. Many political elites at the subdistrict level, with an eye to the new financial resources available to district governments, used arguments about the unique ethnic composition, culture or

history of their region to press for the creation of a new *kabupaten* or *kota* based on that community. By late 2002 the national parliament had already approved 38 new districts, with 25 more slated for immediate approval and many more proposed by local politicians (*Kompas*, 3 December 2002).

In most places violent conflict did not occur. As Michele Ford makes clear in Chapter 9, the term *putra daerah* could be interpreted not only in ethnic terms but also more loosely in terms of residence or place of birth. Even so, many Indonesian nationalists, especially those close to the political centre, worried that calls for preferential treatment for *putra daerah* would give rise to discrimination and worsen communal tensions, leading, in the words of then President Abdurrahman Wahid, to the 'bitter reality' of 'Indonesian citizens being split and divided as a nation' (*Kompas*, 14 January 2001).

## Supporters and Opponents of Decentralisation

Many of the people leading the opposition to decentralisation were those who stood to lose power if it proceeded. At the central government level, some senior bureaucrats and policy-makers resented the new assertiveness of regional bureaucrats and politicians who in the past had always been clearly subservient to them. There were also complaints from provincial governors, who felt that they had been marginalised and that *bupati* were ignoring their instructions and engaging in 'insubordination' (*Jawa Pos*, 21 May 2001). Many business leaders, especially in large national and international companies, were concerned that the disorderly nature of the process was leading to growing unpredictability and lack of security in the investment climate.

Megawati Sukarnoputri, Indonesia's president from July 2001, appeared to share many of the concerns about regional autonomy. While still vice-president she had voiced fears that 'euphoria' in the implementation of autonomy might lead to 'national disintegration' (*Kompas*, 5 January 2001). After she became president, while expressing support for the principle of autonomy, Megawati restated the view that the excesses of decentralisation were giving rise to 'narrow and excessive regionalism' and endangering the 'wholeness of national and state life' (*Media Indonesia*, 30 October 2001). She also appointed a team whose task it was to review the autonomy laws, leading to widespread speculation that the government intended some degree of recentralisation (*Kompas*, 28 January 2002; *Media Indonesia*, 14 February 2002).

The shift of power to the local level has also had many vociferous defenders. Among its staunchest supporters are those local politicians and administrators to whom power is now devolved. Despite the challenges of adjusting to a radically new system, Indonesia's new decentralised regime offers local power-holders and their allies obvious benefits. In most places, they have revelled in the new opportunities available to them. Indeed, in many

regions – as Ida Aju Pradnja Resosudarmo describes in Chapter 15 – they have gone far beyond the formal powers devolved to them, passing regulations and charges of questionable legality, and engaging in battles with central government agencies over the proper delineation of powers.

But it is not only those with an obvious direct interest in decentralisation who have defended the process. Many intellectuals and NGO activists, and some in the central government, have argued that decentralisation, far from spurring separatism and communal tensions, is likely to ease regional dissatisfaction with Jakarta. They say that many of the fissiparous tendencies that have strained national unity in recent years were due to political overcentralisation and the inequitable distribution of wealth between the centre and the periphery. Local communities were frustrated at the lack of say in their own affairs and by Jakarta's heavy-handed and at times brutal suppression of regional dissent. Resource-rich provinces like Aceh, Riau, East Kalimantan and Papua were particularly resentful at receiving only a small percentage of their income back from Jakarta. Decentralisation was meant to address these grievances and thereby restore trust and a sense of commitment to the unitary state of Indonesia.

From early to mid-2001, as it became possible to draw conclusions from the early experiences of implementation in the regions, proponents of decentralisation began to suggest that many of the anticipated benefits of the program were already becoming evident. For its advocates, decentralisation was not simply an unavoidable response to the crisis of centralised government after 1998, nor merely a means to prevent more severe breakdown of national unity. Instead, they argued, implementation was already producing tangible positive outcomes for both governance and society.

For example, in contrast to those who warned of a crisis of government and the spread of corruption, many people said that the greater flexibility and adaptability of decentralised government was actually leading to greater bureaucratic efficiency and better delivery of public services. In some places there was evidence that a reduction of centralised bureaucratic control was encouraging economic activity and initiatives. Against those who pointed to the dangers of *putra daerah* parochialism were others who celebrated the rediscovery of local traditions and political forms (such as the *nagari* structure in West Sumatra), after the stultifying cultural homogenisation and political centralisation of the Soeharto era. They believed that national unity would only be strengthened in the long term by giving local peoples a greater share in, and direct control over, the resources in their own territories.

It should not surprise us that decentralisation has provoked a broad and intense debate in Indonesia. As noted above, the suddenness and scope of the changes involved have had few parallels in the contemporary world. Decentralisation has touched virtually every facet of Indonesian social and political

life. It has reversed decades of political centralisation and challenged the deeply engrained political culture and habits that went with it. The intensity of the debate also derives from the fact that decentralisation and the associated shift of authority to the local level is inextricably bound up with the even broader, society-wide process of democratisation that began in 1998.

Many of the phenomena noted in this book – ranging from the resurgence of local identity politics to the flourishing of grassroots civil society initiatives or the emergence of new alliances of local bureaucratic, political and business interests – were visible months or even years before the decentralisation laws came into effect. A core proposition advanced in this volume is that decentralisation is closely bound to the wider politics of democratisation. The flourishing of the local in Indonesian politics has fundamentally been a product of the breakdown of Soeharto's centralised authoritarian system. We should recall that in the months following Soeharto's resignation in 1998 there was a wave of popular demonstrations in virtually every part of the country, causing the resignation of numerous corrupt and unpopular local officials. Laws 22 and 25 of 1999 are two of the most important statutes of the post-Soeharto era. They have provided the framework for a new and radically different political system. In many ways, however, they simply channel and give administrative form to a shift of power to the local level that took place soon after the collapse of the New Order in May 1998.

## HOW THE BOOK IS ORGANISED

In selecting contributions for this volume, we have endeavoured to achieve three main goals.

First, we have tried to convey a sense of the breadth and complexity of decentralisation and the new politics of the local. We have not aimed to present an overly technical account of the new decentralised system of government, or give a detailed appraisal of the financial or legal aspects of the transfer of authority to the districts. We have, nonetheless, tried to provide readers with a good outline of the new legal regime, and some chapters present close studies of how various parts of the government are responding to the new system.

For example, Rainer Rohdewohld details how the bureaucracy as an institution has coped with decentralisation (Chapter 17), while Arellano A. Colongon Jr. presents the results of the Asia Foundation's survey of 30 local governments and how they are managing their new responsibilities (Chapter 6). Several chapters (notably Chapter 7 by Michael S. Malley and Chapter 8 by Vedi R. Hadiz) focus on change and continuity within local government and try to assess who have been the main beneficiaries of the new system.

Another major concern of the volume is the rise of local identity politics.

Michele Ford examines the case of Riau in Chapter 9 and Minako Sakai looks at West Sumatra and the struggle for control over economic resources in Chapter 10. Rodd McGibbon (Chapter 13) analyses Papua's response to the granting of a Special Autonomy Law, under which it gains even more authority over local affairs than was ceded in Laws 22 and 25 of 1999. Other chapters examine the impact of decentralisation on civil society (Hans Antlöv, Chapter 5), women (Hana A. Satriyo, Chapter 14), the environment, especially forests (Ida Aju Pradnja Resosudarmo, Chapter 15) and the military (Marcus Mietzner, Chapter 16).

While not attempting the almost impossible task of covering all parts of the archipelago, we have tried to present a broad geographical spread. Even Java, which has long been accused of driving the earlier centralised regime, has not been immune from regionalist sentiment, as George Quinn shows in Chapter 11. In summary, an important overall aim has been to convey the complexity of local politics in the new Indonesia, and the complicated and often unexpected interplay of the factors involved – notably administrative decentralisation, financial devolution, democratisation, local identity politics, the struggle for economic resources and the emergence of civil society.

Second, we have endeavoured to capture some of the debate about what decentralisation and associated phenomena mean for political and economic power in Indonesia, and for fundamental questions about what it means to be Indonesian. For instance, on the question of who have been the main winners under the new political system, Vedi R. Hadiz (Chapter 8) makes a strong case for continuity, suggesting that the primary beneficiaries of the new political dispensation come from the lower rungs of Soeharto's New Order, and that corrupt alliances of economic and political power are reconstituting themselves in the new system. Michael S. Malley (Chapter 7) shows that while there have been important changes in local power structures, New Order-era bureaucrats have succeeded in re-establishing themselves as local chief executives. M. Ryaas Rasyid (Chapter 4) also points to cases where money politics has delivered key regional positions to individuals who have had little experience in local administration and who often lack a strong formal basis in party politics. Marcus Mietzner (Chapter 16) argues that despite the reduction in the military's role in national and regional legislatures, it has succeeded in preserving and adapting its territorial command structure to ensure that it remains a powerful element in local politics with the flexibility to mould alliances with a range of commercial, political and social forces.

Some other contributors to this volume emphasise much more the element of change, in part because they approach the issues from a different direction. For example, Arellano A. Colongon Jr. (Chapter 6) contends that district administrations are successfully negotiating the transition and are surpassing expectations in terms of service delivery and efficiency. Hans Antlöv (Chapter 5) and

Hana A. Satriyo (Chapter 14) argue strongly that decentralisation and local politics are giving rise to a far more energetic and assertive grassroots civil society, with greater capacity to influence the political process and shift the balance of power in favour of ordinary citizens. Amrih Widodo (Chapter 12), while also illustrating the importance of money in local politics, draws on a case study of Blora in Central Java to argue that the popular protests of the *reformasi* period marked a significant rupture that has changed the style of grassroots politics and propelled a new breed of populist political broker to the fore.

Third, and above all, through the very diversity of the contributions to this volume, we hope to make the case that observers of Indonesia need to revise how they see the nation's politics. Previously, there was a widely held view that Jakarta was all that mattered, that if one could penetrate and map the dynamics of elite competition and interaction in the capital then it was possible to comprehend the true essence of Indonesian politics. This view was strongest, of course, at the height of the Soeharto years. (Consider, for example, Jackson's suggestion that national policy was established primarily in response 'to the values and interests of less than one thousand persons comprising the bureaucratic, technocratic and military elite of the country' (Jackson 1978: 4) – although he conceded that a larger number influenced implementation of policy at the local level.)

The contributions in this book demonstrate that much has changed. In our struggle to understand Indonesian politics today, we must attempt to comprehend what is happening at the local level.

## NOTE

1 See, for example, McLeod (2000: 99); 'Mengkhawatirkan KKN Pindah ke Daerah', *Kompas*, 10 April 2000.

# PART I

# Political and Economic Update

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# 2 POLITICAL UPDATE 2002: MEGAWATI'S HOLDING OPERATION

*Harold Crouch*

No one believed that the accession of Megawati Sukarnoputri to the presidency on 23 July 2001 would mark the beginning of a new era of dynamic reform. Rather, the Megawati presidency was welcomed with relief because the drama and chaos of 21 months under President Abdurrahman Wahid had at last come to an end. It was hoped at least that Megawati would preside over a period of stability that would enable her ministers to tackle the massive challenges that had largely been neglected by Gus Dur, as Abdurrahman is popularly known. The new president succeeded in meeting the first expectation. Government has indeed been stable under Megawati, who has avoided provoking the anger of her enemies and the despair of her friends in the manner of her predecessor. But she has failed to provide effective leadership and seems to have little mastery of the complex issues facing the government. Her public statements have usually been banal in the extreme, while policies were often handed over to her ministers to decide and left floating when they were unable to reach agreement among themselves. The reform agenda was effectively abandoned and government has become something of a holding operation.

Like Gus Dur, Megawati included all major political groups in her 33-member cabinet. Conscious of her party's lack of a parliamentary majority, she appointed only three senior leaders from her own party, the Indonesian Democratic Party of Struggle (PDI-P), the same number as from the second largest party, Golkar. Special attention was given to the loose Muslim grouping, the Central Axis (Poros Tengah), which had played a decisive role both in having Gus Dur elected in 1999 and in bringing him down in 2001. In addition to awarding four cabinet posts to Muslim parties, Megawati supported the election of Hamzah Haz, chair of the Muslim United Development Party (PPP), as vice-president in 2001, despite his campaign against her – as a woman – in 1999. Of the main political factions, only Gus Dur's wing of the National Awakening

Party (PKB), which was still fretting over the dismissal of its leader, was excluded (although two prominent members of Nahdlatul Ulama (NU), on which the PKB is based, were included). The military was represented by four retired officers. Almost half the cabinet consisted of non-party professionals, and the technocratic orientation of the economics ministers was much praised by the international community, which initially regarded them as forming a 'dream team'.

The cost of inclusiveness, however, was lack of cohesion. In the absence of strong leadership from the president, policy differences quickly appeared and many issues were allowed to drag on without resolution. Sometimes important policies were announced and then revised or even abandoned a few months later. Not only the parties but even the 'dream team' of economists was divided. It seemed that party leaders were often preoccupied with the need to channel funds to their parties in anticipation of the 2004 general election.

## RESHAPING THE CONSTITUTION AND ELECTIONS

The uninspiring performance of the three *reformasi* governments since the fall of Soeharto in 1998 strengthened public demands for fundamental revision of the 1945 Constitution that had provided the constitutional foundation for both Sukarno's Guided Democracy and Soeharto's New Order. Although conservative nationalists and retired army officers continued to uphold the constitution of the revolutionary era, a compromise was reached that preserved its 'sacred' prologue but permitted piecemeal amendments at four successive sessions of the People's Consultative Assembly (MPR) between 1999 and 2002.

In general the constitutional amendments have placed limits on the power of the president and strengthened the capacity of the parliament (DPR) to check presidential power. The first round of amendments in 1999 limited the president and vice-president to two five-year terms and asserted the DPR's law-making authority. The second round in 2000 provided that laws adopted by the DPR would automatically come into effect after 30 days even without the president's signature. The third round required that declarations of war as well as peace-making and international agreements be approved by the DPR. The MPR also adopted a decree requiring the president to obtain the approval of the DPR when appointing or dismissing the commander of the military (TNI) and the chief of the national police.

The most fundamental amendment concerns the election of the president. Under the old system, the president and vice-president were elected in separate votes by the MPR, which since 1999 had consisted of the 500 members of the DPR and 195 regional and special group representatives. In 2001 the MPR, after much debate, decided that the president and vice-president – as a package –

should be elected directly in a nationwide presidential election. The constitution now requires that the winning team should win an absolute majority of the vote (50 per cent plus one), and at least 20 per cent of the vote in half the provinces. If the leading team fails to meet these conditions – a not unlikely outcome given that the leading party won only 34 per cent of the vote in the 1999 general election – a second round of voting will be held between the top two pairs of candidates. These provisions restore some of the president's authority by making him or her less dependent on the legislature's support. The president's vulnerability to impeachment was also reduced through another amendment that provides specific procedures for dismissal, in contrast to the ambiguous and confusing process that brought down Gus Dur's presidency.

Strong public support for the direct election of the president was a consequence of the disgust felt by many at the 'money politics' that was believed to influence the choices of members of the MPR. During the Soeharto era there was of course only one candidate, who was always elected unanimously, but in the new era no party came near to holding a majority of seats. In 1999, following the general election in June, supporters of rival candidates had until the MPR session in October to win over supporters of other parties for their own candidates (while of course making sure that none of their own members were induced to cross over to the other side). As it is well known that many members of the DPR are willing to accept money in exchange for their support for bills or other parliamentary measures, it is not difficult to believe that they would be able to demand considerably higher sums for their votes in presidential elections. And, as is commonly noted, it is a lot cheaper to buy the votes of 351 of the 695 MPR members than those of 60 million of the country's 120 million voters in a direct election.

One of the implications of direct presidential elections is that the bias in the MPR that favoured the Outer Islands will be removed. Although about 60 per cent of Indonesians live in Java and Bali, the old DPR (apart from its appointed military representatives) was more or less evenly divided between Java/Bali and non-Java/Bali, while the 135 regional representatives in the MPR were made up of five from each province – 22 of which were outside Java and Bali. The direct election of the president on the principle of one person one vote will give more political weight to the residents of Java. It is for this reason that the new constitution includes the requirement that the successful candidate must win at least 20 per cent of the vote in at least half the provinces.

The constitutional provision adopted in 2001 that the president and vice-president should stand as a team rather than run individually as in the past also has implications. While it would be next to impossible for a presidential candidate running alone to win more than half the votes in the first round of a direct election, it is not totally impossible that a presidential team could gain such a majority. This constitutional amendment provides a strong incentive to form

firm alliances before the presidential election and thus lay the foundation for a more stable government. Electoral logic is likely to incline Megawati towards an alliance with Golkar, which won 23 per cent of the vote in 1999. On the 1999 figures, a joint PDI-P/Golkar team would win 57 per cent of the vote. Although it seems inevitable that neither will repeat its 1999 performance, a combined presidential ticket could well take such a team to within striking distance of an absolute majority. This electoral logic will also incline Megawati, who is of Javanese–Balinese–Sumatran descent, to look for a running mate from eastern Indonesia. Current speculation centres on the Coordinating Minister for People's Welfare, Jusuf Kalla, a Golkar veteran from South Sulawesi. The same logic, of course, will influence the choices of the 'opposition' challenger. At present the chair of the MPR, Amien Rais – a Javanese – is attempting to build an alliance of Islamic parties to support his bid. One of his problems is that Vice-President Hamzah Haz leads one of those parties and may have ambitions, however unrealistic, of his own. The presence of Jusuf Kalla at some of the meetings of this proto-alliance suggests that there is scope for much manoevring and bargaining in the lead-up to the presidential election in 2004.

The direct election of the president greatly reduces the role of the MPR. Its pre-eminent position as the supreme institution with unlimited power was formally abolished in 2001 when the opening clause of the constitution was amended to place sovereignty 'in the hands of the people'. In 2002 the MPR's powers were limited to three – to amend the constitution, to formally install the president and vice-president after their election, and to dismiss the president or vice-president under newly defined circumstances. The MPR will now consist of the members of the DPR and of the newly formed Regional Representative Council (DPD); the membership of the latter will not exceed one-third of the membership of the former. As both the DPR and the DPD will be fully elected, there will be no appointed members of the MPR. This means that an earlier MPR decree allowing appointed military representatives to remain in the assembly until 2009 has been superseded and that 'special groups' will no longer be represented. Military representation in the DPR was already due to end in 2004.

The DPD replaces the group of regional representatives in the MPR who were previously elected by the provincial parliaments. Now constituted as a second chamber in a semi-bicameral system, the DPD, like the previous regional representatives, will shift the weight of the MPR away from Java and towards the Outer Islands. Each of the provinces – which now number 30 but almost certainly more by 2004 – will have the same number of representatives (proposed to be four in the General Election Bill currently before the DPR). The DPD, however, is not part of a pure bicameral system (despite comparisons with the US or Australian senates), as its role is limited to 'proposing, discussing and monitoring' matters primarily involving centre–region relations.

Unlike a truly bicameral system, the constitution does not mention the power to veto legislation adopted by the DPR.

Another major institutional innovation was the amendment in 2001 to establish a Constitutional Court to take over the power of judicial review from the MPR, where it had been incongruously placed previously. In the past it had been up to the MPR itself to assess whether its own decrees were consistent with the constitution. The Constitutional Court also has the task of resolving disputes over jurisdiction between other bodies created by the constitution, hearing charges brought by the DPR against the president or vice-president, resolving disputes over the results of general elections, and deciding on the legality of political parties. It is to be established by 17 August 2003.

The constitutional amendments have cleared the way for the formation in 2004 of fully elected legislatures at the national, provincial and district levels. But the holding of elections will require a new set of electoral laws to replace those of 1999. Apart from requiring that elections be held every five years, the only constraints imposed by the amended constitution are that elections to the DPR and the regional parliaments (DPRDs) should be contested by political parties and that elections to the DPD should be contested by individuals. The president and vice-president are also required to be nominated by political parties or alliances of parties. Thus independents without party backing are not permitted to stand for the presidency and vice-presidency, or for the DPR and the DPRDs. Four electoral bills have been drafted by the Department of Home Affairs and need to be finalised by the DPR before elections can be held.

Steps, therefore, have been taken towards constitutional and electoral reform. But the initiative has come from the legislatures, both the DPR and the MPR, rather than the government, and the outcome has been the result of compromises among competing factions. These reforms still fall far short of a thorough overhaul of the political system, and the 2004 general election is unlikely to produce a parliament fundamentally different to the present one.

## THE ROLE OF THE MILITARY

The August 2002 session of the MPR finally ended the formal representation of the TNI and the police within the structure of civil government. The TNI itself had already decided in 2000 that active military personnel should no longer be appointed as cabinet ministers, regional governors and bureaucrats, although retired officers would still be free to accept civilian appointments. It had also accepted that it would withdraw its representatives from the national and regional legislatures at the end of their current terms in 2004, although the MPR had adopted a decree allowing them to continue in the assembly until 2009. The constitutional amendment removing appointed members from the MPR and

establishing a fully elected DPD had the effect of bringing forward from 2009 to 2004 the exclusion of TNI and police representatives from the MPR.

On the other hand, the government draft of the General Election Bill permits active TNI and police officers to apply for suspension, rather than retirement, in order to allow them to contest DPD seats – with the implication that they can return to the TNI or police if their election bids fail or they later retire from the DPD. The General Election Bill also reverses the New Order practice of not permitting members of the TNI and police to vote in elections. This proposal has been met with great ambivalence by senior officers, who fear that it may result in political conflict within the military. The removal of the TNI from the formal institutions of government does not mean, however, that it has completely abandoned involvement in political issues.

Despite early fears that the military would exercise a dominant influence over Megawati's government, the TNI has largely been restricted to three main areas. Although formal responsibility for internal security has been given to the police, the TNI continues to dominate operations in 'disturbed' regions, where it sometimes appears to be pursuing its own policies independently of the government. Government policy pronouncements stress a 'comprehensive' approach involving political, social, economic and legal, in addition to military, measures in regions affected by separatist and communal violence, but the statements of senior military officers in control of troops suggest that they believe that the key to success lies in the introduction of martial law and the 'extermination' of rebels. While retired general Susilo Bambang Yudhoyono, as the Coordinating Minister for Political and Security Affairs, is identified with the 'comprehensive' approach, the 'hard-line' approach is advocated by the new army chief of staff, General Ryamizard Ryacudu, and the new Army Strategic Reserve Command (Kostrad) commander, Lieutenant-General Bibit Waluyo. So far the government has resisted demands for the introduction of a military emergency in Aceh and the raising of Maluku's emergency from 'civil' to 'military' status, but in practice operations in these provinces are under effective military control. The government bowed to the military demand to establish a new Regional Army Command (Kodam) in Aceh and created a special military command in Maluku where authority over the police was transferred to the army commander. In Aceh military officers have shown a distinct lack of enthusiasm for negotiations with the Free Aceh Movement (GAM) and at times troops have appeared to be sabotaging confidence-building measures.

The second area where the military insists on having its interests respected is in relation to human rights trials. Following the fall of Soeharto much publicity has been given to human rights abuses committed by the military, and various commissions of enquiry have recommended that military and police personnel be put on trial. The scope for such trials widened with the adoption of the Human Rights Courts Act in late 2000, but convictions have been very

rare. Not only have many accused violators not been brought to court but those who have been tried have often been exonerated. Only two major cases have resulted in convictions – one involving Special Forces (Kopassus) personnel who were convicted in 1999 of kidnapping anti-Soeharto activists, and the other involving troops in Aceh who had killed more than 50 people at a school run by a pro-independence religious leader.[1] Of the several prosecutions of military officers in connection with events in East Timor in 1999, only one has been successful. The officer concerned has appealed against his conviction. It is widely assumed that the apparent impunity enjoyed by military and police personnel is due to an understanding between the military and key leaders of the government.

The third preserve that the TNI continues to defend involves finance. It is widely believed that the official military and police budget provides only about one-third of the funds needed by the security forces. The rest is raised independently by military and police units and individual personnel themselves. It is commonly believed that the gap is filled by about 250 business enterprises associated with the military, but the takings of these commercial enterprises are far from covering the entire shortfall. One major source of funds comes from huge 'mark-ups' and commissions on military purchases. Another vital source for both the TNI and the police is money derived from activities that are best described as extortion. Private corporations have little choice but to pay 'protection' money to the military, especially in the case of foreign investments in such industries as mining, petroleum refining and plantations, where military personnel are often employed as security guards. Manufacturing and commercial enterprises in cities and towns are also 'taxed' by the military and police while illegal taxes are routinely extracted at ports and from land transport enterprises. Security personnel are deeply involved in illegal logging, mining, fishing, cattle rustling and smuggling. And at the lowest level, military and police officers either control or provide 'backing' for illegal gambling, narcotics and prostitution. One consequence of the need of both the military and the police to raise funds in the same region is the sharp rivalry and frequent clashes or turf wars between the two forces. These often lead to shootouts, including fatalities.[2]

As long as the national government is unable to meet the budgetary needs of the security forces, the military and police will have little alternative but to raise funds in their own ways. In the last few years the military has begun to audit the books of the 39 foundations that own its commercial enterprises and has sought the advice of the reputable international accounting firm, Ernst Young, on the professionalisation of management. But there is of course no possibility that the funds raised through extortion will ever be audited and accounted for.

Outside these admittedly not insignificant areas, the influence wielded by

the TNI remains limited, as shown by its failed intervention in the recent constitutional amendment process. Although a few reform-minded senior officers welcomed the removal of military representatives from the MPR as a step towards professionalism, the mood in the TNI was generally unsympathetic. Influenced by retired Soeharto loyalists like former commanders Try Sutrisno and Wiranto, many current officers could see no benefit in overhauling the 1945 Constitution which, for them, after years of New Order indoctrination, expressed the essential spirit of the Indonesian nation. Not only were they opposed to the amendments proposed at the coming MPR session, but some wanted to invalidate all the earlier amendments and return to the 'pure' original constitution. Two days before the opening of the MPR session, the TNI commander, General Endriartono Sutarto, expressed the TNI's unease with the amendment process. He proposed either that the original 1945 Constitution be restored minus the amendments, or that the amended constitution be accepted only as a 'transitional constitution' to be examined and revised by a new constitutional commission. He even indicated the TNI's willingness to support President Megawati if she followed her father's example of reintroducing the 1945 Constitution by decree in 1959 (*Kompas*, 31 July 2002). Despite the 'threat' from the TNI, the MPR simply went ahead and completed the planned amendments to the constitution, including that excluding the TNI from the MPR five years earlier than previously agreed.

President Megawati nevertheless recognises that the TNI could cause her problems if it felt sidelined. Four retired officers are in her cabinet, including the Coordinating Minister for Political and Security Affairs and the head of the National Intelligence Agency (BIN). Since 1998 no retired military officer had been elected as a provincial governor until Megawati recently endorsed the re-election of the incumbent governor of Jakarta, Lieutenant-General (retired) Sutiyoso. Speculation suggests that several other ex-military governors may also win her approval for second terms.[3] As the 2004 elections approach, she possibly calculates that it will be better to have the military's nationwide territorial network on her side rather than working against her. Several retired military officers are prominent in her party, although officers are also found in other parties, including Golkar, which recently appointed the retired head of the military group in the DPR as its secretary-general.

## RADICAL ISLAM

For some people 11 September 2001 may have been the day that 'changed the world', but for Indonesia the influence of 'radical Islam' remained more or less unchanged. Indonesia, as one would expect in a country where 87 per cent of the population is Muslim, has always faced challenges from radical Islamic

groups that have sometimes resorted to violence in order to pursue their goals. Islamic groups were often involved in violent conflicts in the past – the Darul Islam rebellions in the 1950s, the regional rebellions in the late 1950s and the massacres of communists in 1965–66. During the New Order, violence perpetrated by Muslim groups included anti-Chinese rioting, attacks on Christian churches and Buddhist monuments, a famous aeroplane hijacking, and routine actions against brothels, bars and casinos. Current Muslim violence in fact seems less than in the past.

The term 'radical Islam' has been used in two distinct, but sometimes related, senses. In the first sense it refers to Muslims, often described as 'fundamentalists', who give high priority to establishing a state committed to the implementation of Islamic law (*syariah*). In the second sense, 'radical' refers to the violent or 'terrorist' methods used by some groups to pursue their objectives. Radicals in the first sense are not necessarily radical in the second sense. And radicals in the second sense are not always radical in the first sense.

As is often said, most Indonesian Muslims are moderate in both senses. In the 1999 election parties favouring the introduction of *syariah* obtained only about 14 per cent of the vote, and at the recent MPR session the proposal to introduce the Jakarta Charter, which obliges Muslims to observe *syariah*, was not even put to the vote. In 1999 most Indonesian Muslims voted for either Megawati's PDI-P or Golkar, both parties that reject the Jakarta Charter. The two major Islamic organisations, the traditionalist NU and the modernist Muhammadiyah, both oppose plans to introduce *syariah*. Not much can be said with certainty about Indonesian politics, but the likelihood that Indonesia will adopt *syariah* in full is very low.

Most of Indonesia's fundamentalist parties and groups do not engage in violence to pursue their goals. On the contrary, the main parties calling for *syariah* are involved in parliamentary politics. Like other political parties, they are interested in gaining seats in parliament and posts in the government and are conscious of the need to cater for the material as well as spiritual interests of their supporters. In order to achieve their goals they are, like the other parties, ready to do deals and make compromises. On the other hand, the worst violence involving Muslims in Indonesia involves conflicts between communities in which the Muslims are not especially fundamentalist in outlook. The struggle of the GAM in Aceh is not primarily religious but aimed at separation from a predominantly Muslim country. In Maluku and Poso, the two communities are identified in religious terms but the issues dividing them are not solely religious.

Nevertheless, a tiny minority of Muslims are involved with fundamentalist organisations that use violence. There are dozens of militia-type organisations but the two most prominent have been the Islamic Defenders' Front (FPI) and Laskar Jihad. The FPI was founded in 1998 in Jakarta and has specialised in

attacking bars, brothels and gambling centres. It played a major role in mobilising demonstrations outside the US embassy when the United States launched its military campaign in Afghanistan in October 2001. It gained widespread notoriety when it threatened to 'sweep' Americans out of Indonesia at that time but in reality not a single American was caught in its broom. The Java-based Laskar Jihad was formed in early 2000 to provide support for the Muslim side in the conflict in Maluku, where, it believed, Christian forces were gaining the ascendancy. In contrast to the FPI, whose weapon of choice was a long stick with which to threaten customers at 'places of vice', Laskar Jihad gained access to standard military weapons and training from elements in the TNI who apparently hoped to destabilise the Gus Dur government. Laskar Jihad later sent forces to strengthen Muslims in Poso (Central Sulawesi) and began to establish small bases in other regions of real or potential conflict such as Aceh, Papua, East Kalimantan and South Sulawesi. But the role of Laskar Jihad should not be exaggerated. Its forces in Maluku at any one time were not much more than about 3,000–4,000 and its total trained forces were probably around 10,000.

There is no evidence to support initial claims in the Western media that the FPI and Laskar Jihad are part of the Al Qaeda network (see, for example, Weiner 2001; Chandrasekaran 2001). A hitherto underground radical Islamic group, often called Jemaah Islamiyah (JI), has cooperated with Al Qaeda, however. The existence of this group was revealed in January 2002 after an abortive plot in the previous month to blow up the American and some other embassies in Singapore. The arrest of members of the group in Singapore and Malaysia revealed a network that included Indonesian radicals, headed by an Indonesian Islamic teacher, Abu Bakar Ba'asyir. He had fled to Malaysia to escape a crackdown in Indonesia in the 1980s but had returned to Solo in Central Java after Soeharto's fall in 1998 (ICG 2002a). Further investigation indicated that members of JI had been responsible for bombings in the Philippines and Indonesia, including the simultaneous bombings of churches in 10 Indonesian cities on Christmas Eve 2000. Although JI remained underground, in August 2000 Abu Bakar established the 'above-ground' Indonesian Mujahidin Council. It included various fundamentalist Islamic organisations, not all of which had records of violence.

The Indonesian government had been under increasing international pressure from the United States and Singapore among others to 'crack down' on its Islamic radicals, especially those suspected of having links with Al Qaeda.[4] Although Abu Bakar openly expressed his admiration for Osama bin Laden, the Indonesian authorities refused to take action against him on the grounds that there was insufficient evidence that he had committed any crime. It was only after 12 October 2002, when more than 180 people, including a large number of Australian and other tourists, as well as Indonesians, were killed by two bomb explosions in a nightclub district in Bali, that the Indonesian government

arrested Abu Bakar and launched a full-scale investigation that soon indicated the direct involvement of JI. By the end of November, several JI members had been detained and Abu Bakar, in the absence of convincing evidence linking him to the Bali bombings, was being investigated in relation to the Christmas Eve 2000 church bombings.

Meanwhile, in May 2002, the government had already arrested Ja'far Umar Thalib, the commander of Laskar Jihad, who was charged with inciting violence in Maluku. In early October, shortly before the Bali bombing, Laskar Jihad, apparently no longer backed by sympathetic elements in the military and experiencing financial difficulties, dissolved itself and withdrew its forces from Maluku. And, immediately after the Bali bombing, the Jakarta police moved against the FPI, whose leader was arrested and charged with damaging property at nightclubs. The FPI has now 'frozen' its anti-vice raids. The government has also issued special emergency regulations enabling the police to detain suspects without trial for six months.

It was often claimed, especially outside Indonesia, that the Megawati government was unable to take firm action against violent Muslim radicals because they had influential sympathisers in the government, particularly Vice-President Hamzah Haz. Hamzah himself often denied that 'terrorists' were operating in Indonesia and openly met leading radicals such as Abu Bakar Ba'asyir and Ja'far Umar Thalib. But, as noted above, the 'fundamentalist' parties are not strong in the parliament and occupy only a few seats in the cabinet. Megawati's support for Hamzah as her vice-president was not in fact due to the strong political support that he enjoyed, but quite the opposite. Indonesia's constitution provides for the automatic elevation of the vice-president if for any reason the president is removed from office. Megawati calculated that her opponents would be unlikely to work towards her overthrow just to put Hamzah into the presidency. The government's real concern about Islamic radicalism lay not in the alleged influence of her vice-president but in the capacity of the radical organisations to mobilise their supporters in the streets and in the possibility of huge demonstrations triggering mass rioting.

## THE COURTS AND JUSTICE

Despite a few high-profile convictions, the reputation of the judicial system remained abysmally poor. It is almost universally assumed that judges, prosecutors and police are routinely bribed in criminal cases while civil cases are often likened by lawyers to auctions. In one case, however, a notorious fugitive from justice was eventually caught and jailed. Former President Soeharto's youngest son, Tommy, had absconded after his conviction in a corruption case and, while in hiding, arranged for the murder of one of the judges who had

rejected an earlier appeal. He was captured in Jakarta – in barely credible circumstances[5] – and eventually sentenced to 15 years' imprisonment. Other Soeharto-era cronies and beneficiaries have been subjected to interrogation and temporary detention but only a few have been brought to court and even fewer convicted. Soeharto's business partner, Bob Hassan, was sentenced to six years' jail in early 2001 and Soeharto's half-brother, Probosutedjo, was being tried late in 2002. A former senior minister, Ginanjar Kartasasmita, and two former heads of the rice-trading agency, Bulog, have been detained at one time or another and one of the Bulog heads has been convicted. The courts were also slowly working through cases involving the massive misuse of bank liquidity credits (BLBI) provided by Bank Indonesia to keep tottering banks solvent during the 1997–98 financial crisis.[6] Several tycoons have fled overseas and been convicted in absentia. None is actually in jail in Indonesia as a result of BLBI convictions. It is nevertheless widely assumed that they have in effect been very heavily 'fined' – but the proceeds have gone to judges and prosecutors rather than to the state.

Another case carrying much political significance was that of Akbar Tanjung. In 2001 Akbar, the speaker of the DPR and chair of Golkar, was charged with misusing state funds shortly before the general election of 1999. At the time he had been Secretary of State in the Habibie government. According to Akbar, the government had agreed to provide funds from Bulog for food relief for the poor, who were still suffering from the effects of the economic crisis. However, others believe that the money was used to support Golkar's electoral campaign. Earlier in the year President Megawati, whose position depends in part on an informal alliance between her party and Golkar, had restrained some of her party members from demanding a parliamentary investigation into the Akbar case. Why, then, did she fail to intervene in the court case? One explanation suggests that it is in the president's interest for Golkar to remain under tainted leadership. Presumably Megawati's political interests would be served if Akbar remained at the helm of Golkar until the general election in 2004, keeping a discredited Golkar dependent on the president's forbearance.

The judicial system was also tested by international pressure to go ahead with the trials of military officers, civilian officials and militia leaders accused of human rights abuses in East Timor in 1999. Beginning in March 2002, a series of 12 trials involving 18 defendants commenced in special ad hoc courts created under the Human Rights Court Act of 2000 to try retrospective cases. That the charges were not really intended to obtain convictions was obvious from the way in which they were framed. Instead of providing evidence that Indonesian military officers and other officials had established, trained and armed the militias that carried out much of the killing, the defendants were accused only of failing to prevent an apparently spontaneous civil conflict between pro- and anti-independence factions (ICG 2002b). Given the nature of

the charges, it was not difficult for the judges to exonerate all the military and police defendants. By the end of November 2002 only two people – both East Timorese civilians – had been found guilty. One was the former governor of East Timor, Abilio Jose Soares, and the other was the militia leader Eurico Guterres. Both, however, have appealed and are still free.

Meanwhile, investigations conducted by the National Human Rights Commission into several other cases in Aceh, Papua and Jakarta have been either not completed or not acted upon by the Attorney-General's Department. Under the Human Rights Court Act, the national commission is responsible for initiating investigations into gross abuses of human rights.

## REGIONS OF CONFLICT

Violent social conflict was not unusual during the New Order era but it has become more widespread since 1998. Clashes between ethnic, religious and political communities are common in many regions but, although underlying tensions are rarely resolved, the number of casualties is usually quite small and the violence soon contained. Violence has become virtually entrenched in four regions, however. In two – the provinces of Aceh and Papua – separatist movements are challenging rule from Jakarta, while in the Maluku islands (now consisting of the provinces of Maluku and North Maluku) and in the district of Poso in Central Sulawesi, communities defined in religious terms have been at war with each other. Despite the impression created outside Indonesia – the so-called CNN effect – the regions that have experienced devastating conflict are home to only a tiny proportion of the Indonesian population: Aceh 2 per cent, Papua 1 per cent, the two Maluku provinces 1 per cent, and Poso around 0.1 per cent. These conflicts are of course causing enormous suffering in those regions, but they are not typical of conditions in the regions where the other 95 per cent of the population lives.

### Aceh

The war between the security forces and the GAM continues to claim many victims. Civilian casualties have risen to more than 2,000 since the military launched a renewed campaign in May 2001. Not all these people, of course, were killed by the military; some were victims of the GAM. Military casualties, although far fewer, have also been substantial.[7] The number of government forces in Aceh now stands at around 33,000 – 22,000 from the TNI and 11,000 from the police – while the government estimates the number of GAM combat forces to be around 3,000, although they have only 2,000 weapons among them.[8] As a result of the military campaign, the police claim that about 30 per

cent of villages remain under GAM influence, much less than the 60–70 per cent in early 2001.

The centrepiece of Jakarta's strategy in dealing with Aceh is the Special Autonomy Law of August 2001, which goes beyond the scope of the nationwide regional autonomy laws that began to be implemented in January 2001. Unlike the national laws, special autonomy in Aceh devolves authority to the provincial rather than the district level. The law provides for the return to the province of 80 per cent of petroleum and natural gas revenue, in contrast to only 15 per cent of petroleum revenue and 30 per cent of natural gas revenue under the national autonomy laws. It also provides for a ceremonial head of state, to be known as *wali nanggroe*, and the direct election of the provincial governor and district heads. The governor is made responsible for peace and order, and his or her approval is needed for the appointment of the regional chief of police and the head of the regional prosecutor's office. The law also provides for the establishment of a Syariah Court under which *syariah* would be implemented. It specifically states that *syariah* will not be applied to non-Muslims. Although the law was introduced in March, full *syariah* has not been applied and the government says it will proceed only gradually.

Since early 2000 when the Gus Dur government initiated direct contact with the GAM, a series of talks has been held in Geneva. The government insisted that negotiations be based on the Special Autonomy Law, which implies that Aceh will remain part of Indonesia. In February 2002 a breakthrough of sorts was reached when the GAM agreed that the Special Autonomy Law could act as a 'starting point' for negotiations leading to the holding of democratic elections in Aceh. At a meeting in May the parties said they would 'work with all speed on an agreement on cessation of hostilities'. The GAM presumably is hoping that the 'democratic, free and secret election implemented with honesty and justice', as provided for in the Special Autonomy Law, would result in a vote for candidates supporting independence. However, the law obliges the provincial DPRD not only to uphold democracy but also to 'defend and preserve the unity of the Unitary Republic of Indonesia', and one of the conditions for candidates for the governorship is that they must be 'loyal to the Unitary Republic of Indonesia' and have never been citizens of a foreign country (as some of the GAM leadership in exile are).

Although the new commander of the TNI, General Endriartono Sutarto, regularly acknowledges that it is up to the government to decide whether to negotiate with the GAM, the mood within the military is not only to reject talks but to push for the introduction of emergency rule. The army chief of staff, General Ryamizard Ryacudu, has said that 'Dialogue for 1,000 years will not bring any results' (*Koran Tempo*, 12 July 2002), while Endriartono has said that from a military point of view Aceh is ready for emergency rule (*Koran Tempo*, 28 August 2002). On the other hand, the Aceh DPRD opposes an emergency and

supports continuing dialogue. According to the governor, dialogue is supported by 90 per cent of the people of Aceh (*Koran Tempo*, 15 July 2002). But according to the Kostrad commander, Lieutenant-General Bibit Waluyo, 'the governor does not understand the conditions of the people in the middle of the jungle, in the interior, who each day are shot, kidnapped and killed by the GAM' (*Kompas*, 24 July 2002). There are some indications that elements in the military are deliberately poisoning the atmosphere for talks. The day after the May 2002 meeting in Geneva calling for a cessation of hostilities, a prominent GAM spokesman was killed; in January 2002, three days after the governor had invited the GAM military commander, Abdullah Syafi'ie, for talks, Syafi'ie's house was attacked and he and his wife killed; and in July 2001 police arrested six GAM negotiators in Banda Aceh.

The military's preference for a tough stance on Aceh is supported by a significant part of the national DPR and does not seem to be a problem for President Megawati. Within the government, Susilo Bambang Yudhoyono has continued to keep the door open for dialogue despite increasing pressure from his military colleagues to take a stronger line. After describing the GAM as a 'terrorist' organisation, he announced in August 2002 that it would be given until the end of Ramadhan (in early December) to decide whether to continue the talks on the basis of the Special Autonomy Law. If not, the government would take 'firm and appropriate measures', including the intensification of military operations (*Kompas*, 19 August 2002). Meanwhile, as the deadline approached, government forces launched another major attack on a GAM stronghold in north Aceh. To the surprise of most observers, however, a 'cessation of hostilities framework agreement' was signed by the two parties on 9 December 2002. The implementation of the agreement will be monitored by a team that will include members from Thailand and the Philippines as well as representatives from the Indonesian government and the GAM.

## Papua

The level of violence has been much lower in Papua, where armed resistance by the Free Papua Organisation (OPM) is carried out by small isolated bands that usually lack modern weapons. OPM groups, or at least groups thought to be part of the OPM, have occasionally been involved in clashes with the security forces, who sometimes retaliate against nearby villages. In recent years, leadership of the independence movement has shifted to the urban-based and non-violent Dewan Papua (Papua Council), which received some encouragement during the first year of Gus Dur's presidency until the military and police – apparently acting independently of the president – arrested its top leaders in November 2000. This crackdown demonstrated the weakness of the movement, whose leaders were released a few months later. Neither the OPM nor the Papua

Council has a credible strategy for winning independence despite the widespread dissatisfaction with Jakarta.

As in the case of Aceh, a Special Autonomy Law was adopted on 21 November 2001 to provide Papua with broader powers than those enjoyed by other provinces. Like the Aceh law, the Papua law increases the province's share of revenue derived from natural resources to 80 per cent for mining, forestry and fishing, and 70 per cent for oil and natural gas. This is expected to treble the provincial government's income (ICG 2002c: 8). The law also responds to growing concern among Papuans – who now make up only two-thirds of the province's population – that they are being swamped by migrants from other parts of Indonesia, by requiring the governor's agreement to further transmigration. In view of the under-representation of Papuans in the migrant-dominated provincial parliament, a new Papuan People's Assembly (MRP) will be established to speak on behalf of the indigenous population. And, as in Aceh, the governor's approval will be required for the appointment of the regional chief of police.[9] The Papuan nationalist demand to 'straighten history' with regard to the Indonesian takeover of the territory was rejected, but a truth and reconciliation commission will be established instead. Finally, references to the 'Unitary Republic of Indonesia' are scattered liberally throughout the document.

Whatever slight prospect the autonomy law may have had of winning the hearts and minds of the Papuan people had evaporated 10 days earlier on 11 November when the chair of the Presidium of the Papua Council (PDP), Theys Eluay, was found dead in his car after attending a dinner at the local headquarters of Kopassus. The commander of the Papua Regional Army Command immediately suggested that Eluay had died of a heart attack. Investigation was hindered by the police's legal inability to question military personnel, and it was only in April that the military police arrested several Kopassus officers. In July, after eight months of silence, the commander of the local Kopassus unit revealed that Eluay was being interrogated about his views on independence when he suffered his 'heart attack' (*Koran Tempo*, 30 July 2002). Seven Kopassus personnel have now been charged with kidnapping and murder. Not only the long delay in investigating the case but the involvement of a Kopassus unit delivered a devastating blow to the military's – and the national government's – credibility.

The military's credibility sank even lower following an ambush on 31 August 2002 along a road leading to the Freeport gold and copper mine at Timika. Three Freeport employees, including two American school teachers, were killed in the attack for which the army's regional commander immediately blamed the OPM. That the OPM was indeed to blame, it was claimed, was shown when one of the 'attackers' was shot dead by troops the following day. However, the man's relatives said that he had worked as an informer for

Kopassus and an autopsy showed he had died one day earlier than that on which the military claimed he had been shot. The truth behind this incident is still a mystery but the military commander's quick 'explanation', like his earlier attempt following the murder of Eluay, has stimulated speculation about military intentions.[10]

Although separatist organisations in Papua offer little serious military threat to Jakarta, the long-term prospect is not so hopeful for the national government. Separatist sentiment is virtually universal. Many Papuans now suspect that the military – through Kopassus – is preparing the ground for a crackdown on pro-independence groups. The arrest of the Papua Council leaders in December 2000 and the murder of Eluay in November 2001 failed to provoke the mass reaction that would have justified the crackdown. Now, so the argument runs, they have calculated that the killing of Americans at Indonesia's largest mine will give them the excuse they need. But once again, it seems, the scheme has come unstuck. An alternative explanation, however, suggests that Kopassus organised the attack in an endeavour to extract increased 'protection' payments from Freeport.

## Maluku and Poso

In recent years the major cause of violent death and destruction in Indonesia has not been the separatist struggles in Aceh and Papua but the communal conflicts in Maluku and Poso that broke out in January 1999 and December 1998 respectively. The usual estimates of the numbers killed in Maluku and North Maluku range between about 6,000 and 10,000 while about 1,000 people have been killed in the much smaller region of Poso. Although the rival communities coalesced along religious lines, the origins of the two conflicts also involved demographic change and ethnic, economic and political competition.

The fighting in Maluku reached its peak during 2000 following the arrival of Laskar Jihad to reinforce the Muslim side after both Christians and Muslims had inflicted heavy casualties on each other. The conflict had been aggravated by the tendency of Christian and Muslim soldiers and police to join in the fighting. In Poso the fighting took place in waves in which one side and then the other would take the offensive.[11] In late 2001 Laskar Jihad also appeared in Poso. During 2001 the level of fighting declined in Maluku, partly because the two opposing communities had become virtually segregated from each other and partly because the military adopted a firmer stance, particularly against Laskar Jihad (ICG 2002d). In Poso, the presence of about 4,000 military and police forces initially stemmed the conflict, but bomb explosions and attacks on villages were still taking place sporadically, especially after a troop reduction at the end of May 2002 (*Koran Tempo*, 19 August 2002).

In December 2001 and February 2002, two of the three coordinating minis-

ters in the central government, Jusuf Kalla and Susilo Bambang Yudhoyono, sponsored 'peace' conferences at the small town of Malino in South Sulawesi between Christian and Muslim delegations, first from Poso and then from Maluku. In both cases agreement was reached and received with great elation. Nevertheless, local antagonisms were by no means eliminated and some groups, especially in Maluku, rejected the agreement. Although major confrontations have generally been avoided, isolated bomb explosions have become quite common in both regions, and in April the Maluku governor's office was burnt down. The death toll continues to rise, but at a much slower rate than previously. Meanwhile, as noted above, Laskar Jihad has withdrawn its forces from both regions.

## THE SECURITY FORCES AND REGIONAL CONFLICT

Overall the performance of the security forces in dealing with regional conflict has been poor. Serious indiscipline among troops is apparently tolerated by commanders. 'Sweeping' operations in which soldiers and police 'sweep' through villages in search of arms or rebels can turn into looting expeditions. Roadblocks become means to extract 'tolls' from drivers and search passengers for valuables. When soldiers or police are killed, their colleagues often embark on revenge attacks against nearby villages. Houses and shops are burnt, villagers beaten and women sometimes raped. In Maluku in particular, military and police personnel have often joined their co-religionists in battle or at least supplied them with weapons. And, on several occasions, rival TNI and police units have fought and killed each other in these regions.

There are indications that the security forces have an interest in the conflict continuing.[12] This is not to say that the military wants an all-out war in these regions, but a continuing atmosphere of tension and uncertainty makes it much easier to extract contributions. Giant foreign petrochemical or mining enterprises, for example, would be unlikely to make large payments to military officers if they felt no threat to their security. And it is not just the large foreign enterprises that feel they have no alternative but to pay. In circumstances of a breakdown in law and order, constraints on illegal activities are weakened, whether it be smuggling, trading in marijuana, or selling arms and bullets to combatants in ethnic conflicts. Even when conflict has subsided as, for example, in Maluku and Poso, it is strongly suspected that some elements in the military continue to provide backing for local groups to plant bombs and launch small-scale attacks, not because they sympathise with one side or the other, but simply to maintain a level of tension and disorder conducive to extortion.[13] And when military officers call for the introduction of a military emergency, they are not unaware of the economic benefits such an emergency can bring.

## CONCLUSION

In recent years political scientists have been talking about 'failed states' – mainly in Africa – where some governments hardly exist in anything but name. Following the Al Qaeda rout in Afghanistan, American policy-makers have been worrying that Osama bin Laden and his followers may be looking for another 'failed state' with a predominantly Muslim population to set up a new headquarters. Among the candidates is Indonesia. Indonesia, however, does not meet the criteria of a failed state. Although its regional, ethnic and religious conflicts are very serious, the country is not on the verge of falling apart. The problem is not that there are no government structures but that they do not work effectively.

Other political scientists have coined the term 'weak state', where the central government continues to function but its authority is limited. A weak state can formulate policies but is often unable to implement them because of obstruction by powerful economic and political interests in the society (Migdal 1988). Indonesia clearly has some of the characteristics of a weak state, but the concept is misleading in some respects. In Indonesia it is not as if the state is trying to implement good policies but is too weak to impose its will on the many powerful vested interests in society that block reform. In reality the state is weak because it itself is made up of powerful competing vested interests. The state has been penetrated by interests that are opposed to reform.

A pessimistic conclusion might be that the state lacks the capacity to carry out the fundamental reform of itself. But in that case, how does such a state survive? The Indonesian state seems to have a considerable capacity for improvisation or, as the World Bank put it, 'muddling through'. Faced with multiple crises in almost all fields, Indonesia often seems to be moving in the direction of collapse but it never happens. Somehow at the last moment a way is always found to avert the looming disaster, not through basic reforms but by improvisation. Immediate problems are fixed when they become really threatening to the system but the solution is usually just temporary. The state is able to do enough to keep things going but not to tackle the fundamental causes of the problem. The picture that I have presented is not entirely pessimistic, but it is not exactly optimistic either.

*December 2002*

## NOTES

1 The Kopassus soldiers convicted of the kidnappings are still free, waiting for an appeal that seems unlikely ever to be heard. In the Aceh case, junior officers and

soldiers were convicted but their commander suddenly 'disappeared' and was never tried.

2 For example, in late September 2002 army and police units fought a nine-hour battle at Binjai, North Sumatra. Six police, one soldier and two civilians were killed. The quarrel began when police arrested a narcotics dealer who was being protected by soldiers (*Tempo*, 7–13 October 2002).

3 Megawati's support for the re-election of Sutiyoso caused some ructions in her party. Sutiyoso was the military commander in Jakarta in July 1996 when the headquarters of the Indonesian Democracy Party (PDI) were attacked and some members of the party killed.

4 In fact Muslim radicals had already been arrested and sentenced to long jail terms. Among them were several convicted of the Christmas Eve 2000 church bombings, the Jakarta Stock Exchange bombing in 2000 and the Atrium mall bombing in 2001.

5 It was widely assumed that Tommy had been 'protected' by top officials. His arrest preceded by one day the retirement of the national police chief.

6 Of the Rp 144 trillion (US$14 billion) channelled to 48 banks, the State Audit Agency found that about 59 per cent had been misused and that the state faced potential losses of 96 per cent (equivalent to roughly 10 per cent of Indonesia's total foreign debt).

7 During the 12 months following the launching of the new military campaign in 2001, 75 soldiers were killed and 136 wounded (*Koran Tempo*, 2 May 2002). These figures do not include police casualties.

8 This estimate comes from Bambang Yudhoyono (*Jakarta Post*, 19 July 2002). There is some confusion about these figures; the Aceh military commander, Brigadier-General Djali Yusuf, was earlier reported as saying that the GAM had about 1,700 members (*Jakarta Post*, 6 July 2002).

9 This provision was soon violated when the provincial police chief, Inspector-General I Made Mangku Pastika, was suddenly appointed to head the investigation into the Bali bombing. The national police chief was forced to apologise to the provincial government in Papua for 'a mistake in interpreting an order' when a new provincial police chief was appointed without first obtaining the governor's approval (*Kompas*, 5 November 2002).

10 The police chief in Papua at the time of the attack, Inspector-General I Made Mangku Pastika, told journalists that 'I cannot go further because it is involving the military personnel and I don't have the authority to do that' (Mapes and Dhume 2002).

11 On the background of the Poso conflict, see Aragon (2001).

12 See ICG (2001a, 2002d); Strong hints in this direction with regard to Poso can also be found in Sangaji (2002).

13 The extent to which such violence is endorsed and controlled by local commanders is not clear. In June 2002 a soldier was court-martialled in Ambon and found responsible for nine bomb explosions (*Jakarta Post*, 19 June, 3 July 2002). For allegations about the role of Kopassus in training 'provocateurs', see *Tempo* (10–16 June 2002).

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# 3 ECONOMIC UPDATE 2002: STRUGGLING TO MAINTAIN MOMENTUM

*Mohamad Ikhsan*

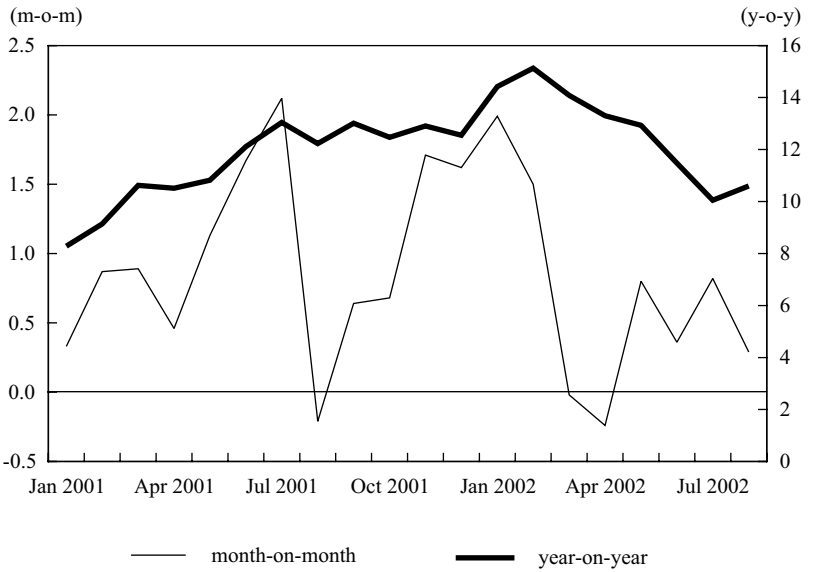
The five years since the onset of the Asian financial crisis in July 1997 represent one of the most turbulent half-decades in Indonesian economic history. As a result of the crisis, GDP contracted by 13.5 per cent in 1998, implying a significant increase in unemployment. The incidence of poverty more than doubled between 1996 and the end of 1998. To restore and revitalise the economy, public sector debt was increased sharply as a share of GDP. Most of this accumulated debt was used to finance bank-restructuring programs and the remainder was used to finance the government budget.

As in other crisis-affected countries, most economic indicators have shown a turnaround, albeit at different speeds. Output has recovered, but as of the second quarter of 2002 was still below the 1997 level. Similarly, both poverty incidence and the unemployment rate have fallen to close to pre-crisis levels. Despite this progress, the performance of Indonesia's economy has lagged behind that of some other crisis-affected countries such as Malaysia and Korea. Part of this poor performance can be explained by a complex political transformation towards a democratic regime and a 'big bang' decentralisation program that has complicated the process of economic reform.

Political uncertainties, problems of domestic security and lack of legal certainty have meant that the recovery in output has been dependent on growth in external demand and domestic consumption. External demand played an important role in the early recovery period, but became less important when the world economy slowed in early 2001.

The remainder of this chapter is divided into three main sections. The first presents a summary of recent economic developments, followed by a more detailed review of macroeconomic trends, growth and economic policy. The second looks at prospects for the economy and the budget in 2003. And the

*Figure 3.1 Trends in the Consumer Price Index, January 2001 – August 2002 (%)*




*Source*: BPS.

third focuses on the institutional aspects of the recovery process under the new democratic regime. It is followed by some brief concluding comments.

## RECENT ECONOMIC DEVELOPMENTS

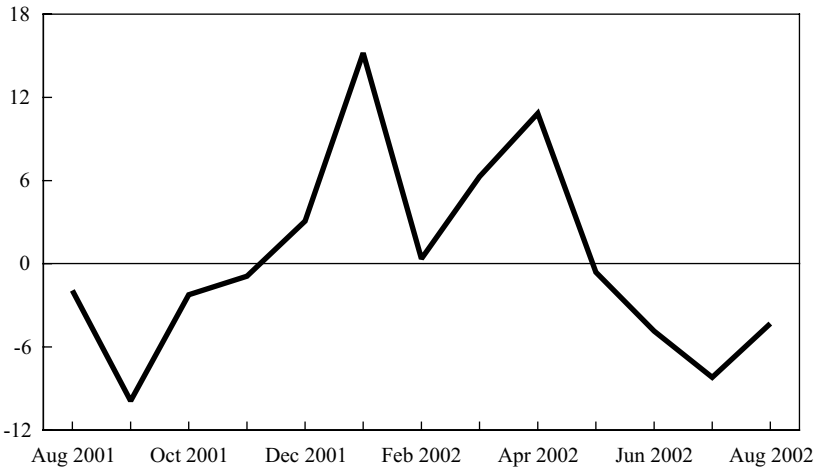
Heightened political and security concerns in the last six months of the Abdurrahman Wahid presidency (2000–01) have been partly resolved under President Megawati's administration, which has produced greater macroeconomic stability. Several indicators point to a full economic recovery compared with 12 months earlier. These are summarised below, before turning to a more detailed discussion of economic developments under Megawati.

### An Overview of Recent Developments

The following developments over 2001–02 are worthy of mention (see Figures 3.1–3.8).

The exchange rate has appreciated significantly from a peak of Rp 12,000/

*Figure 3.2 Trends in the Jakarta Stock Market Index, August 2001 – August 2002 (% change, month-on-month)*




*Source*: Jakarta Stock Exchange.

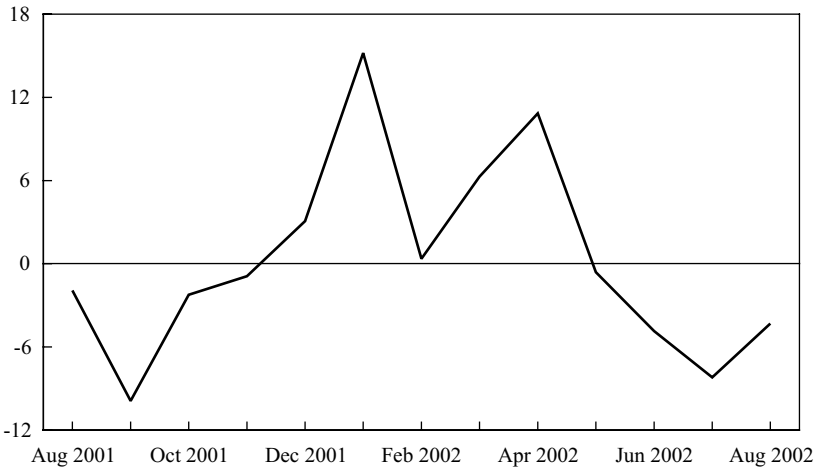
US$ during the last year of the Abdurrahman presidency to around Rp 8,500–9,500/US$ under Megawati. Partly related to exchange rate appreciation, the rate of inflation decelerated and was expected to reach 9–10 per cent by the last quarter of 2002 (Figure 3.1), despite an aggressive reduction of subsidies and adjustments in administered prices. Nominal interest rates have begun to fall: one-month Bank Indonesia Certificate (SBI) rates fell from a peak of 17.8 per cent in mid-2001 to 14.1 per cent in September 2002, and were expected to reach 13 per cent by the end of 2002. Tight monetary policy has been relatively successful in absorbing liquidity. During 2002 base money remained below the indicative target set under the IMF program.

Public confidence has risen among both producers and consumers. Two indicators developed by Bank Indonesia both show a significant improvement in confidence in the state of the economy compared with business sentiment in 1998. The Jakarta Stock Market Index, which plunged from a peak of 700 at the end of 1999 to 300 in 2001, experienced a recovery but then fell from May 2002 (Figure 3.2).

Fiscal consolidation has been successful in terms of the government's objectives. The fiscal adjustment program succeeded in reducing the deficit from 4.6 per cent in 1999 to 2.3 per cent in 2001. As a result, the government debt ratio fell from 104 per cent of GDP in 2000 to 82 per cent in 2002.

The real sector, which hit bottom in the first quarter of 1999, has continued

*Figure 3.3 Trends in GDP[a] and Consumption, June 1994 – August 2002 (% change, year-on-year)*




a Based on 1993 prices.

*Source*: CEIC Asia Database.

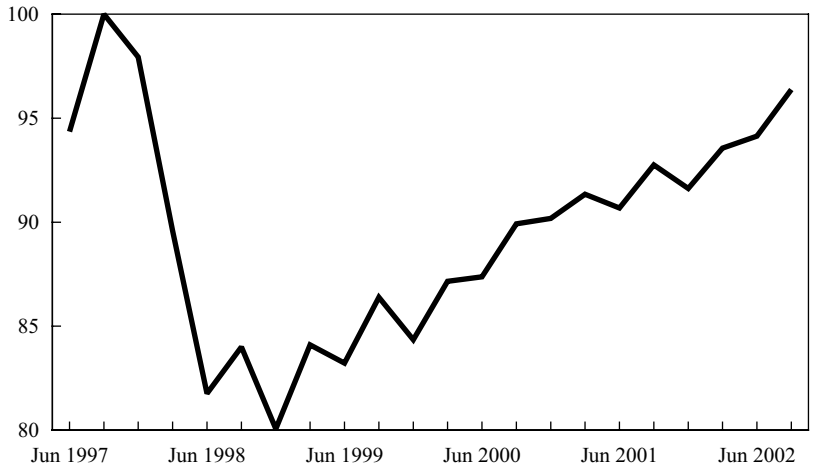
to recover. GDP reached close to 95 per cent of its pre-crisis level in the second quarter of 2002 and is expected to attain pre-crisis levels in 2003 (Figures 3.3 and 3.4). While interest rates have declined, lowering the cost of capital for corporations, the recent recovery has not been led by a rebound in capital investment (Figure 3.5). Export volumes picked up, even though their value fell in nominal terms due to cyclical price effects (Figure 3.6). Overall, private consumption has been the most important determinant of growth, followed by inventory rebuilding and increases in public spending.

The unemployment rate – based on a consistent definition – has declined over time but is still above the pre-crisis level (Figure 3.7).[1] In line with that trend, poverty incidence as measured by BPS (2002a), the Institute for Economics and Social Research at the University of Indonesia (LPEM 2002b) and the World Bank (2002a) has declined significantly, and has almost converged with the pre-crisis level (Figure 3.8).

## Aggregate Demand and Output

As briefly explained above, the recovery in aggregate demand from 1999 to

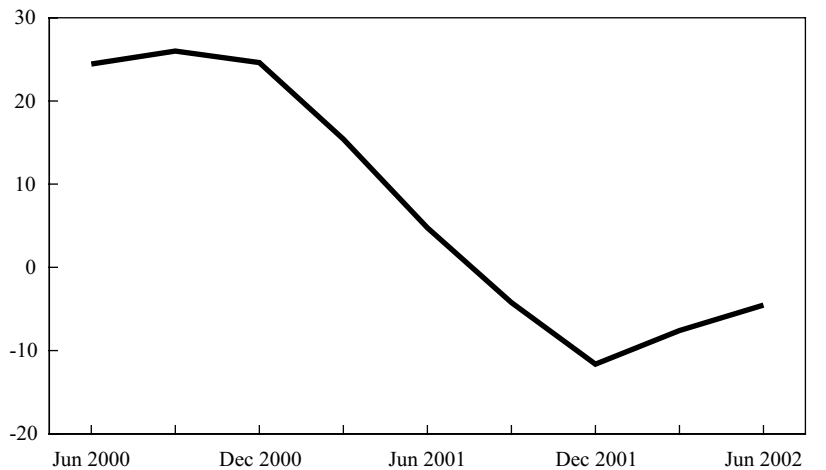
*Figure 3.4 Index of GDP,* [a] *June 1997 – September 2002 (September 1997 = 100)*




a Based on 1993 prices.

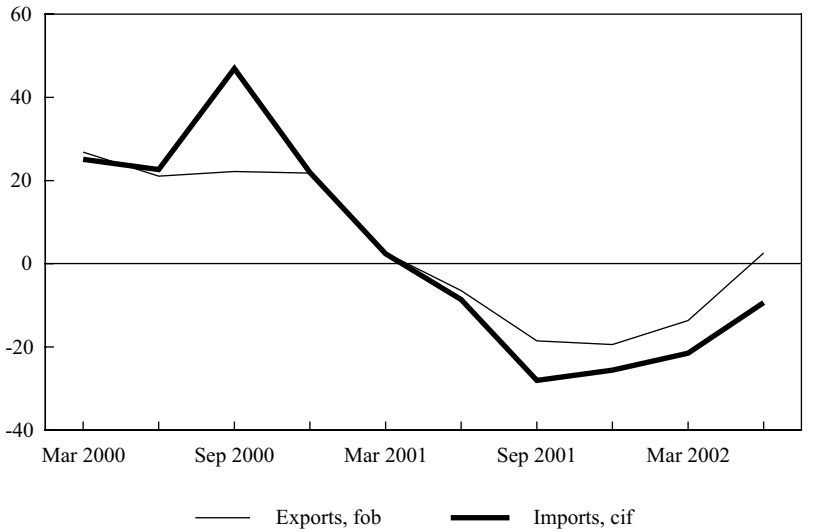
*Source*: CEIC Asia Database.

*Figure 3.5 Growth in Gross Fixed Capital Formation, June 2000 – June 2002 (%, year-on-year)*




*Source*: CEIC Asia Database.

*Figure 3.6 Growth in Value of Non-oil Exports and Imports, March 2000 – June 2002 (%, year-on-year)*




*Source*: CEIC Asia Database.

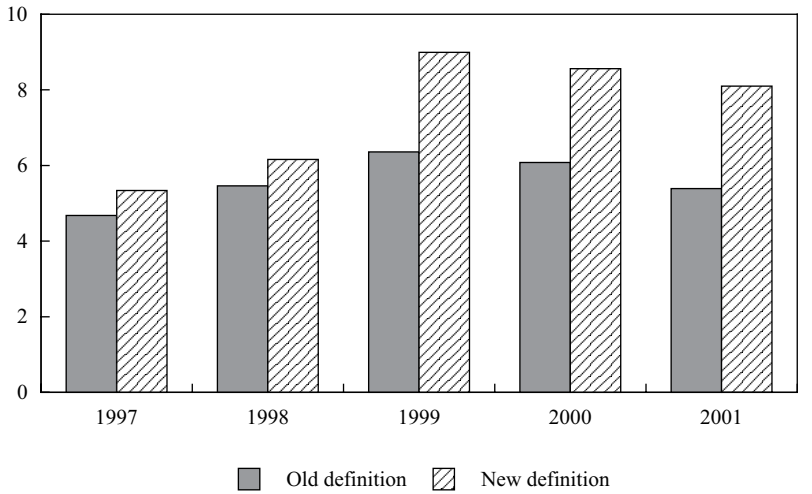
2002 was due to two factors: net exports and private consumption. During 1999–2000, net exports contributed 80–90 per cent of aggregate growth in demand. Their contribution to the external balance was due to an expansion in export volumes and a continued fall in import volumes. An improvement in the oil market compensated for a sharp decline in the non-oil terms of trade. Then, as a result of the global slowdown from early 2001, external demand subsided. Net exports recorded negative growth in the third quarter of 2001, with some improvement in the first half of 2002.

Private consumption, especially following the general election in 1999, was the other chief determinant of the recovery in domestic demand. While demand for food has remained relatively stable, non-food demand, led by demand for non-durable goods, has been very strong.

There are several reasons for the strong growth in consumption experienced over the past four years. First, many people delayed purchasing non-essential goods during the crisis period. This led to strong catch-up demand for cars, motorcycles and electronic products during the 1999–2001 period.

Second, from the second half of 1999, a mild recovery in permanent income led to a pick-up in consumption. This is indicated by the nominal increase in wages across sectors, both in the minimum wage and in government salaries.

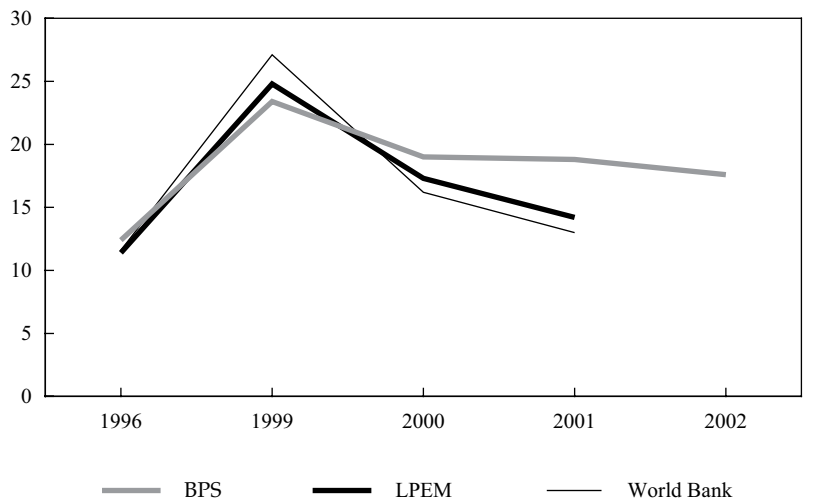
*Figure 3.7 Open Unemployment Rates, 1997–2001 (%)*




a The 'old definition' of unemployment is people looking for work. The 'new definition' includes both those looking for work and those setting up a business.

*Source*: BPS.

*Figure 3.8 Trends in the Incidence of Poverty, 1996–2002 (% below the poverty line)*




*Source*: BPS (2002a); LPEM (2002b); World Bank (2002a).

Transitory income also rose, especially among savers, who benefited from the very high real interest rates on offer during the 15 months following July 1997. Real wages in non-agriculture have exceeded their pre-crisis levels since mid-2001. With the steady decline and stabilisation of the general prices index, this 'Pigou effect' has produced an increase in private demand.

Third, during the first semester of 1999, an improvement in the terms of trade, especially in the agricultural sector, produced windfall profits that aided the recovery of consumption in the second half of the year. This transitory source of growth disappeared from July 1999 owing to the decline in prices received for agricultural exports – especially rice – due to a global slowdown and the appreciation of the rupiah.

Fourth, the recovery may have been influenced by expectations among consumers that prices would soon increase. Hedging behaviour of this sort was common from the end of 2001 through to the first quarter of 2002 as the inflation rate rose.

The lack of recovery in capital formation stands in contrast to the country's historical reliance on investment as an important determinant of growth. Investment is expected to remain below historical levels for the next few years, in part because of constraints in the supply of financing and infrastructure, the absence of creditworthy borrowers and an excess of capacity. The real growth rate of bank credit was negative – even though there have been signs of a credit expansion since the end of the first quarter of 2002 – because bank managers have tended to protect their credit position with the government rather than lend to corporations, and because high inflation has sharply reduced the real value of credit.

As a result fixed investment dropped by 16 per cent in 1999 and continued to fall throughout 2000 and 2001, to recover slightly in 2002. The latest data show that investment again shrank in June 2002 compared with the same period in the previous year (Figure 3.5). This was caused mainly by a decline in foreign investment (domestic investment growth has remained positive). One possible explanation lies in the appreciation of the rupiah, which has caused imported capital goods to become more expensive, and foreign investment thus to decline.[2]

Despite a persistent decline in interest rates, the lack of willingness of financial intermediaries to lend has constrained investment. While it is too early in the recovery to expect a sharp increase in investment, especially when there is still excess capacity, sustained growth will depend on whether supply factors have been addressed sufficiently, and whether corporate restructuring has been adequate to foster financially viable corporations.

Investment has also been constrained by the political uncertainties facing both the Abdurrahman and Megawati administrations. Megawati's cabinet con-

tinues to face coordination problems, particularly as ministers increasingly focus on the 2004 elections and on advancing the prospects of their respective parties. This has created delays in introducing unpopular legislation such as revised labour laws, and increased (but often ill-founded) demands for trade protection for commodities such as rice, sugar and wheat flour.

Despite the poor investment climate, market sentiment as reflected in the Jakarta Stock Exchange Index was positive in early 2002 (Figure 3.2). The improvement in market sentiment stalled from May, and at the end of July Asian stocks, including Indonesian stocks, plunged due to the tumble on the US stock market. Concerns over the slump in the United States weakened consumer confidence and spending in the region's largest markets, with Sony, Samsung Electronics and other exporters leading the decline.

The upturn in aggregate demand has provided a stimulus for output growth. Consumption was in turn stimulated by growth in manufacturing production (estimated at around 3 per cent in the first two quarters of 2002) and a spurt in transport and communications output (Table 3.1). Renewed weakness in investment, as well as excess supply, constrained construction activity, while floods depressed agricultural production. In addition, the performance of the mining sector was hampered by lower oil production. However, strong growth in utility sales – particularly electricity – suggests that economic activity may be stronger than captured in the official statistics.

**Prices, Monetary Policy and Interest Rates**

Inflationary pressures seem to have subsided since early April 2002 in response to a stronger rupiah and stringent monetary control. Both have helped offset the adverse impact of a series of fuel and other administered price adjustments introduced in early 2002. The 12-month increase in consumer prices eased to 10.6 per cent in August 2002 from 15.1 per cent in February 2002 (Figure 3.1). Fears that Indonesia would experience another devastating El Niño disaster in 2002 were not realised. The government effort to import abundant food stocks prevented the food shortage that was threatening to contribute to a jump in the price of rice. In fact, food products experienced deflation of 0.16 per cent in July 2002, related to the jump in imported foodstuffs.

By the end of 2002 the inflation rate had fallen close to single-digit levels owing to further price reductions (and despite the shock of the Bali bombings). It is expected that this trend will continue. First, the domestic rice price is still about 30 per cent above the border plus tariff price. This price differentiation will encourage importation of rice through both legal and illegal means, even though some non-tariff barriers may emerge. Second, further increases (or, at the very least, continued stability) in the exchange rate will continue to affect

*Table 3.1 Real GDP Growth by Expenditure Category, 1998–2002 (% change on previous year)*

| Expenditure Category | 1998 | 1999 | 2000 | 2001 | | | | 2002 | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| **Real GDP** | –13.3 | 0.9 | 4.8 | 4.8 | 3.8 | 3.2 | 1.6 | 2.1 | 3.5 |
| Agriculture | –1.3 | 2.7 | 1.7 | 3.7 | 1.7 | 1.0 | –2.8 | –1.4 | 6.3 |
| Mining | –2.8 | –2.4 | 1.7 | 6.8 | –0.3 | –2.4 | –5.9 | –2.3 | 1.8 |
| Manufacturing | –11.4 | 3.8 | 6.2 | 4.2 | 4.8 | 4.7 | 3.6 | 3.7 | 2.5 |
| Electricity, gas and water | 3.3 | 8.3 | 8.8 | 7.4 | 9.8 | 9.0 | 7.6 | 12.5 | 4.7 |
| Construction | –36.4 | –0.8 | 6.8 | 6.2 | 5.7 | 3.5 | 0.7 | 1.7 | 4.7 |
| Wholesale and retail trade | –18.2 | 0.1 | 5.7 | 6.8 | 5.5 | 5.7 | 2.6 | 3.4 | 3.7 |
| Transport and communications | –15.1 | 0.8 | 9.8 | 6.4 | 7 | 7.6 | 8.9 | 8.5 | 8.2 |
| Finance and business services | –26.6 | –7.5 | 4.7 | 3.9 | 3.4 | 2.7 | 2.0 | 2.7 | 2.6 |
| Other services | –3.9 | 1.9 | 2.2 | 1.3 | 1.6 | 2.3 | 2.7 | 1.5 | 0.4 |

*Source*: BPS.

consumer prices. The pass-through effect of the appreciation of the rupiah in the first six months of 2002 has clearly had some effect in dampening consumer price increases.

In the area of monetary policy, the stronger value of the rupiah and stable financial conditions provided some room for the central bank to continue to relax policy in 2002. Exchange rate shifts typically account for around 30 per cent of the variations in inflation in Indonesia.[3] With the current appreciation of the rupiah, inflationary pressure has been reduced, providing further opportunities for interest rate reductions. At the end of August 2002, the one-month SBI interest rate stood at 13.8 per cent (weighted average), down from 17.6 per cent at the end of 2001 (Table 3.2).

At the same time, excess liquidity creation towards the end of 2001 accompanied by inflationary pressures encouraged Bank Indonesia to tighten policy

*Table 3.2 Trends in Interest Rates, December 1999 – August 2002 (% per anum, end-period)*

| Interest Rate | 1999 Dec | 2000 Dec | 2001 | | 2002 | |
|---|---|---|---|---|---|---|
| | | | Jun | Dec | Mar | Aug |
| One-month SBI rate | 12.5 | 14.5 | 15.9 | 17.6 | 16.7 | 13.8 |
| Overnight interbank rate | 12.1 | 11.4 | 14.0 | 15.3 | 15.5 | 14.2 |
| One-month deposit rate | 12.6 | 11.1 | 12.5 | 15.5 | 14.5 | 14.3 |
| Lending rate[a] | 20.7 | 17.8 | 21.5 | 22.5 | 24.5 | 19.0 |

a For working capital.

*Source*: Bank Indonesia.

in 2002 through open market operations. Growth in base money was reduced by around 5 per cent between the end of 2001 and August 2002, in contrast to the trend in the fourth quarter of 2001, when base money grew by 11 per cent over the previous quarter (Table 3.3). This policy shift brought the monetary base in line with the IMF indicative target for the first time in two years.

The reversal in the base money trend was also reflected in a slowdown in the growth of broad money (M2) and narrow money (M1). Broad money stocks actually fell by 0.6 per cent between December 2001 and July 2002, compared with 13 per cent growth for the whole of 2001. Similarly, the stock of M1 dropped by almost 2 per cent during the first semester of 2002. This was caused in particular by reduced precautionary demand as the economic and political situation stabilised.

The reduction in SBI rates was reflected in deposit and lending rates, which fell from 15.5 per cent and 22.5 per cent respectively in December 2001 to 14.3 per cent and 19.0 per cent in August 2002 (Table 3.2). Nevertheless, structural constraints continued to hamper the extension of bank credit to the private sector. The loan to deposit ratio was still less than 50 per cent in 2001, reflecting the inability of the banking sector to deliver credit due to business risk, a low capital adequacy ratio (CAR) relative to minimum requirements, and also the incentive to place money in SBIs. The strength of this incentive is indicated by the increase in the allocation of funds for SBIs from Rp 72.2 trillion in the first quarter of 2001 to Rp 93.4 trillion in the first quarter of 2002. The loan to deposit ratio remained below 50 per cent through to the second quarter of 2002.

The ability of banks to maintain their intermediary function is heavily dependent on the economic and legal reform process. Without economic recovery,

*Table 3.3 Trends in Base Money, 2001–02*

| | 2001 | | | 2002 | | |
|---|---|---|---|---|---|---|
| | Jun | Sep | Dec | Mar | Jun | Sep |
| Base money (Rp trillion) | 110.6 | 115.2 | 127.8 | 117.0 | 119.9 | 119.6 |
| (% change per period) | (7.1) | (4.2) | (10.9) | (8.4) | (2.5) | (–0.01) |
| (% change per year) | (17.0) | (18.7) | (1.7) | (13.3) | (8.4) | (3.8) |
| *Memorandum* | | | | | | |
| IMF target | – | 110.5 | 120.6 | 117.8 | 123.7 | n.a. |

*Source*: Bank Indonesia.

legal reform and political certainty, it will be hard for the banks to improve sufficiently to maintain their already low CARs.

In addition, there are political and social constraints on the immediate restructuring and strengthening of the financial sector. There is not as yet a clear consensus on the role of ownership and control in the banking sector – between the state and the private sector, between domestic and foreign companies or between large and medium-sized corporations. At least until the general election in 2004, it is unlikely that the banking sector will significantly increase loans to stimulate output. Thus, the sourcing of funds for domestic investment will continue to be constrained by problems in the Indonesian banking sector.[4]

**The Exchange Rate**

The rupiah continued to appreciate against the US dollar in the first half of 2002 (Table 3.4). In July it was expected to strengthen further to Rp 8,500/US$. The governor of the central bank commented at the time that the appreciation was part of a long-term trend, attributing it to the recovery of market confidence in the country's economic prospects. However, from early July the rupiah again depreciated before stabilising at around Rp 9,000.[5]

While the exchange rate appreciated (in real terms) by about 28 per cent in the second quarter of 2002 compared with the same quarter in 2001 (not shown in the table), it still remained 15–20 per cent below the level in 1997. This suggests that the appreciation is unlikely to jeopardise export competitiveness.

Several factors have influenced exchange rate movements. International influence was transmitted through the weakening of the US dollar against other

*Table 3.4 Exchange Rate Developments, 1995–2002 (average for period)*

| | Exchange Rate Rp/US$ | Real Effective Exchange Rate[a] | | |
|---|---|---|---|---|
| | | Index (1995 = 100 | Change from Previous Period (%) | Official Reserves[b] (US$ billion, end-period) |
| 1995 | 2,249 | 100.0 | –2.7 | 17.5 |
| 1996 | 2,342 | 107.8 | 7.8 | 24.0 |
| 1997 | 2,909 | 101.0 | –6.4 | 20.6 |
| 1998 | 10,014 | 49.4 | –51.1 | 22.7 |
| 1999 | 7,855 | 69.0 | 39.7 | 23.5 |
| 2000 | 8,422 | 65.3 | –5.4 | 28.6 |
| 2001 | 10,261 | 62.8 | –3.9 | 27.2 |
| 2002 | | | | |
| Q1 | 10,158 | 71.8 | 16.7 | 27.2 |
| Q2 | 9,036 | 78.8 | 9.7 | 28.4 |
| August | 8,994 | 79.1 | 0.38 | 30.1 |

a Based on trade with six major trading partners, deflated by consumer prices.

b Excluding gold.

*Source*: Institute for International Finance estimates; Bank Indonesia.

currencies such as the yen and the euro. Domestically, it is perceived that the rupiah appreciation may have occurred as a result of temporary, positive sentiment towards domestic circumstances (for instance, the divestment of Bank Central Asia and the Paris Club III meeting in the first half of 2002). But exchange rate stability is proving elusive. For example, a senior officer of the central bank stated in mid-2002 that any further appreciation of the currency could hurt exports. This statement was interpreted as a forecast that the rupiah would not continue to strengthen, and was followed by a surge of US dollar buying when the rupiah approached Rp 8,500/US$ in July. This incident provides a warning that despite Indonesia's improved prospects, any sign of government failure to maintain consistency could provoke an adverse exchange rate movement.

Since the beginning of 2002, the exchange rate has been less volatile than in 2001. The successful divestment of Bank Niaga in August–September 2002

was likely to induce a positive market perception of capital inflow, while the Bali bombings had the opposite effect. It seems probable that the rupiah will not remain much below Rp 9,000/US$, as demand for foreign currency to repay debt remains high. Moreover, the exchange rate may suffer if the government fails to accomplish its important reform agenda, which includes economic and financial restructuring, improving business conditions, channelling bank credit to productive sectors and raising the level of foreign investment.

## Fiscal Policy and the 2002 Budget

Provisional figures from the Ministry of Finance indicate that the realisation of revenue in the 2002 budget year was impressive in view of the difficulties in implementing policy measures and the unfavourable economic conditions. Total revenue collection (including grants) was estimated at Rp 302 trillion (17.9 per cent of GDP), or about 1 per cent above the original budget plan (appendix Table A3.1). Oil revenue fell in 2002, even though there was a rise in oil prices from the end of the first quarter of 2001. Most non-oil revenue originated from non-tax sources such as the profits of state-owned enterprises. Non-oil tax collections were expected to be under target by 1 per cent. Most of the shortfall was in value-added tax (VAT) collection, due to the inability of the government to carry out several planned measures – the reimposition of a VAT in Batam, for example, or the delay in imposing a VAT on toll roads. Another factor was the expansion of illegal trade, which was estimated to have cost the country about US$1–1.3 billion in lost VAT revenue in 2001 (LPEM 2002a).

According to LPEM estimates, total expenditure in 2002 was marginally higher than projected. Routine expenditure was expected to be 3 percentage points of GDP over the projected figure. Current expenditure was higher than anticipated in the budget estimates, for two reasons. First, the original budget projections made insufficient provision for subsidies, especially non-fuel subsidies. The cost of subsidies was pushed up by the rise in oil prices and a lower rupiah compared with the budget assumption (appendix Table A3.1). Second, interest payments rose because of higher than projected interest rates.

LPEM estimates development expenditure and net lending to amount to Rp 46.8 trillion in 2002. This is substantially below the budgeted level of Rp 52.3 trillion, owing to lower than expected expenditure on development and the low levels of new public debt.

Taken together, the 2002 budget is expected to record a deficit of 2.36 per cent of GDP, or 0.14 percentage points lower than the projection.

## The Balance of Payments

Export growth during January–June 2002 was down on the same period in the

previous year. However, the rate of decrease had slowed, foreshadowing the possibility of a positive trend in the future (Figure 3.6). Exports of manufactured goods and, especially, mining and other products experienced a significant decrease in the first half of 2002, while agricultural exports remained flat. The decline in the value of mining products was due to a deterioration in exports of copper ore; the decline in manufactured goods was caused by a fall in exports of wood and wood products, footwear and textiles. The value of oil exports also dropped substantially in the first half of the year, mainly because of the decline in oil prices on the world market in April and May 2002. The value of imports fell by around 20 per cent in the January–June period compared with the same period in 2001.

The outcome of export and import performance for the trade balance was a slight improvement in the first quarter of 2002, a trend that continued into the second quarter. This was also true of the current account balance, even though the surplus declined as a share of GDP.

Official figures show that international reserves rose from US$27.2 billion at the end of 2001 to US$30.3 billion by the end of August 2002, indicating a significant surplus in the balance of payments of US$3.1 billion for the first eight months of 2002. This reflected renewed strength in the capital account despite the slight decline in the current account surplus, helped by the rescheduling of official repayments under the Paris Club I–III agreements and by Indonesian Bank Restructuring Agency (IBRA) asset sales and privatisation proceeds.[6]

## THE MACROECONOMIC OUTLOOK AND THE 2003 BUDGET

This assessment of recent developments suggests that the Indonesian economy will improve in 2003.[7] The government has projected economic growth of about 5 per cent for 2003, while Bank Indonesia has projected a figure of 4–5 per cent.[8]

LPEM's assessment of the prospects for economic growth displays a wide range depending on whether or not the Megawati administration improves its institutional performance and reduces political uncertainties. Before the Bali bombings, LPEM projected economic growth of 4.8 per cent under an optimistic scenario and 4.2 per cent or lower under a more conservative scenario (Table 3.5).[9]

In general domestic demand, especially private consumption, can be expected to play an important role in economic recovery. However, in small open economies like Indonesia, the expansion of domestic demand has a downside because it may lead to a deterioration in the external balance. Weak linkages among domestic industries – especially between consumption goods and

intermediate/capital goods – implies that any expansion in domestic demand will translate immediately into a rise in imports, which in turn will affect the external balance position.

It will take time for bank and corporate restructuring to become effective, requiring several years of fiscal restraint. Thus, domestic demand is not expected to recover to pre-crisis levels in the medium term. LPEM projects, however, that it will grow at a moderate rate of around 3.5–4 per cent. As in previous years, total consumption, both private and public, is expected to continue to lead the recovery in domestic demand, although its contribution may be smaller than in the immediate past.

Two factors in particular may contribute to the expansion in private consumption. First, some private companies, especially in tradable goods and retailing, have finally recorded a profit after making huge losses in 1998–2000, and can be expected to adjust wages accordingly. The government plan to increase public sector wages will also affect private sector wage rates, although the rate of adjustment in real wages will depend to some extent on the changes in electricity and fuel pricing. Any increase in government official salaries can be expected to boost both private and public consumption. Second, the credit market is expected to improve, as there has been some progress in bank and corporate restructuring in recent months.

The latest available evidence from Bank Indonesia indicates that private investment has recovered slowly since the second quarter of 2002, as indicated also by a credit expansion since June 2002. However, investment could be constrained by the lack of availability and poor quality of infrastructure, particularly electricity. As before the 1989 electricity crisis, the situation could reach a critical point by the end of 2003 or beginning of 2004 if no additional power plants are brought on stream.

There is some possibility of rapid increases in consumer prices in 2003, by regional standards. First, the government plans to place an additional 30 per cent tariff on rice and increase the price of government procurements from farmers, which would prevent rice prices from declining further. Second, the plan to increase civil service salaries would obviously reduce the 'output gap', keeping in mind current evidence that the gap has already diminished over time.[10] Third, and more importantly, the adjustment in fuel and electricity prices can be expected to produce cost-push inflation. It is therefore reasonable to expect inflation to reach at least 7.5 per cent in 2003, with core inflation contributing about 60–70 per cent of the acceleration in the price level.

Despite much criticism, it seems that the assumptions for the 2003 budget are reasonably sound, reflecting conservatism in budget planning. For example, the assumption of an oil price of US$20.50 per barrel appears very conservative in view of developments in the oil market. But the 5 per cent GDP assumption seems overly optimistic considering the slower than expected recovery in

*Table 3.5 Macroeconomic Forecasts for 2003*

| | 2000 | 2001 | 2002[a] | 2003[b] |
|---|---|---|---|---|
| **% change from previous year** | | | | |
| Real GDP | 4.8 | 3.3 | 3.5–3.8 | 4.2–4.8 |
| Consumer prices (average) | 3.7 | 11.5 | 9.8–10.2 | 7.5–9.0 |
| **US$ billion** | | | | |
| Trade balance | 25.0 | 22.7 | 22.8 | 22.5 |
| Current account | 8.0 | 6.9 | 5.8 | 4.7 |
| Official reserves | 28.6 | 27.2 | 30.1 | 31.3 |
| Total external debt | 141.7 | 131.2 | 132.6 | 124.8 |
| Medium/long-term | 120.3 | 109.4 | 109.5 | 100.6 |
| Short-term | 16.7 | 16.2 | 16.7 | 16.8 |
| Interest arrears | 4.6 | 5.6 | 6.4 | 7.4 |

a Estimate.

b Forecast.

*Source*: LPEM (various issues), *Monthly Macroeconomic Report*, Jakarta: LPEM-FEUI; Institute for International Finance.

international markets and the disruption to output and investment confidence caused by the Bali bombings.

The 2003 budget was framed against a backdrop of further weakening in oil production and prices, and thus emphasises the need for continued strong efforts to increase non-oil tax revenues while at the same time restraining expenditure. Overall, the budget aims to achieve a lower deficit of 1.4 per cent of GDP, compared with 2.5 per cent in 2002.

On the expenditure side, current spending is programmed to decline by 1.8 percentage points in terms of GDP. There are three factors that will affect levels of current expenditure: first, the government's plan to increase civil service salaries by 10 per cent while also raising teachers' wages; second, its decision to eliminate all fuel subsidies (except those on kerosene) and adjust electricity tariffs; and third, the plan to raise the procurement price of rice by 20 per cent, which would significantly increase the rice subsidy.[11] Outlays for development expenditure and net lending are projected to increase by 4 per cent in nominal terms but decline by two percentage points in terms of GDP.

Overall, the prudent fiscal policy adopted by the government is likely to produce a healthy and sustainable budget. The ratio of public debt to GDP has declined consistently and by the end of 2002 was 84 per cent, ahead of the National Development Program (Propenas) projections for 2000–04. If major planned policy initiatives are realised, the public debt ratio could fall to around 60 per cent by 2004 – a sustainable figure based on the OECD definition.

One criticism of the 2003 budget is that it may tend to contract demand at a time when the private sector is struggling with internal adjustments. However, a careful analysis reveals a different picture. The monetary impact of the 2003 budget is estimated to be expansionary, indeed even more expansionary than the 2002 budget.[12]

The key question, of course, is whether such an expansion will boost domestic demand as intended. This depends critically on how the budget is spent in the regions (for example, routine versus development expenditure); the size of government bond payments; and how banks use their revenue and extra cash from bond redemptions (whether they buy SBIs or use the money to expand credit, for example). The final impact will be small if the government deficit is offset by an increase in private savings.

## PROSPECTS FOR ECONOMIC REFORM UNDER THE NEW DEMOCRATIC REGIME

The post-Soeharto governments have faced, and will continue to face, a series of daunting challenges, both in implementing reform and in building up the necessary conditions for reform. Specifically, those challenges include reforming a corrupt bureaucracy; restructuring the banking system, state-owned enterprises and corporate debt; ensuring an adequate social safety net is in place; conducting fiscal management against a background of huge domestic and foreign debt; responding to calls for greater autonomy and decentralisation; and improving the distribution of income.

Indonesia has begun a process of democratisation from which one can only hope there will be no turning back, so great would be the conflict (and resulting economic chaos) arising from attempts to re-establish an authoritarian political system. Greater accountability and transparency, and less centralised decision-making, mean that economic policy will be conducted in a more pluralistic political system. But this also means longer and more awkward political processes, with a greater role being played by interest groups. During a period of major political reform, there is also the temptation to adopt populist economic policies that are not necessarily in the interests of the poor or the disadvantaged.

The reform movement is likely to produce a more transparent environment at all levels of government, arising from the greater power of parliament and its control over the policies of the president and the executive branch of the government. On the other hand, the democratisation process also has weaknesses compared with the system under the New Order. Delays in passing key economic legislation, and a tendency to opt for seemingly attractive economic policies that may not be in the interests of economic stability, growth or equity, are almost certain, and may translate into both slower growth and substantial welfare losses among the poor. This has in fact happened under both the Abdurrahman and Megawati administrations. The privatisation program, for example, failed to be implemented under Abdurrahman, and the Minister for State-owned Enterprises, Laksamana Sukardi, faces a very difficult task in having it implemented under Megawati.

The hypothesis that a state of crisis acts as a trigger for economic reform appeared valid and useful in the immediate post-Soeharto era, but less so under the present administration.[13] Following Haggard (2000), I argue that reform has stagnated for at least three reasons. First, the economy has witnessed a sustained recovery since 1999, with many Indonesians now recognising that even though the government did not adhere to the IMF program, Indonesia still recorded growth of 3–4 per cent. As a result, the incentives to restructure the economy have declined. Second, as political uncertainties have increased, the adjustment costs for conducting reform have risen. In addition, reform fatigue is apparent among policy-makers and the political elite as a whole. Even the most reformist ministers cannot always sustain the pace of policy and institutional change. Third, private actors remain politically powerful and are able to resist regulatory and institutional changes that might make them more accountable and responsible.

The new political environment has affected the quality of economic policy-making. For example, there is a strong push for populist policies that have the potential to undermine the effectiveness of stabilisation policies and jeopardise the recovery and reform process. This derives in part from the absence of strong Indonesian ownership of policy directions as a result of the heavy involvement of international bodies in the stabilisation program.

Democratic processes are also a factor in the push for greater regional fiscal autonomy, with implications for the unity of the republic. This applies especially to the resource-rich provinces, which have much to gain from renegotiation of control over resource rents. Some degree of fiscal decentralisation is desirable and inevitable. But, as with other aspects of the post-Soeharto political framework, the pendulum may swing too far.

The more populist political leaders have proposed asset redistribution along the lines of that conducted in Malaysia from 1970 to 1990 under the New Eco-

nomic Policy (NEP) can be expected to become an important political issue in the near future, particularly as a means to alleviate tensions among ethnic groups. It is important to bear in mind, however, that the situation in Indonesia today is very different from that in Malaysia in 1970 when the NEP was first introduced. At the beginning of the NEP period, foreign ownership of the modern sector was very high, opening up the possibility of a large redistribution of assets from foreign to domestic firms. In addition Malaysia had, and has, a sound system of public administration in place. Neither of these two factors is present in Indonesia to nearly the same degree.

The next political issue that needs to be addressed is the increasing public concern about the growth of conglomerates. It is sometimes alleged that such growth is an inevitable feature of a market capitalist economy.[14] It is important to remember, however, that much of the concentration of economic power that has occurred in Indonesia over the past decade was the result of unequal access to economic opportunities and resources through the granting of special favours to the politically well-connected. In short, it is wrong to say that the present inequalities are due to deregulation. And it should be remembered that small-scale industry is likely to gain rather than lose from a more market-friendly environment.

Improvements in income distribution will ultimately depend much more on continued progress in education and human resources than on asset redistribution. It is primarily economic growth that permits an expansion of revenue to fund social overhead capital. Attempts to achieve greater equity through asset redistribution could severely affect the investment climate, prospects for recovery, and longer-term improvements in living standards.

The above problems are medium and long-run challenges. In the short term, the present government needs to concentrate on maintaining and improving consumer confidence, ensuring fiscal sustainability and restoring a fully functioning banking system. The latter task includes restructuring state banks and recovering assets from the largest borrowers, many of whom were close to the Soeharto family.

These challenges imply a greater role for government during the transition period, in fiscal management, in the ownership of banks and corporations, in facilitating corporate debt restructuring (including ensuring the smooth functioning of commercial bankruptcy courts) and in the provision of minimum standards of social protection. Thus a good government must not only implement reform but also sustain it, a crucial factor from the beginning of the restructuring and rebuilding process. The sustainability of reform is important. The only way for the economy to grow at a sustainable rate over the medium to longer term is to allow the private sector to take the lead.

## CONCLUSION

The economic restructuring process seemed on track in the second half of 2002, despite the disruption caused by the Bali bombings. The economy has continued to record positive growth since 1999, largely owing to a recovery in consumption. Improved political conditions have contributed significantly to the recovery by restoring public confidence in the economy. However, some of the political turmoil in Indonesia has not been resolved and a number of economic issues still need to be addressed: loan, bank and corporate restructuring, for example, and fiscal and debt sustainability. Uncertainties in the political and economic arenas have prevented the Indonesian economy from making a full recovery.

The conclusion to be reached from developments over the past three years is that consumption-driven growth alone will not generate sustainable economic development. The economy will grow by around 4–5 per cent at best – not enough to have a substantial impact on unemployment and poverty.

The main problem facing Megawati's government is how to maintain the momentum for sustainable economic growth. The key lies in how effectively it delivers its short and long-term programs. From the various existing constraints, it is clear that the assumptions that underpin working programs, and priorities, will determine whether government programs are credible. The first step is for the government to revise the 2003 budget using reasonable assumptions. Some factors – such as the exchange rate, growth, the inflation rate and the oil price – are critical because they reflect government expectations, which in turn will affect economic factors. If the government's assumptions are too pessimistic (with the benefit to the government of being more secure), this will impact unfavourably on public expectations and dampen economic growth. But if the government's assumptions are too optimistic, its program will not be credible, risking a negative reaction from the market.

The second element needed to boost a recovery in public confidence is adequate law enforcement. The assertion – not just political rhetoric – is that legal and business certainty plays a key role in determining the competitiveness of companies located in Indonesia. Why? First, economic growth by sector (including the agricultural sector) has shifted towards activities requiring long-term investment. Law enforcement, including regulations, has become an important component in investment planning. Second, as economic activities become more complex, transaction costs tend to increase. Law enforcement is part of the social capital that can reduce transaction costs (Sergeldin and Grootaert 1999).

Such a paradigm change would be assisted by greater transparency in all aspects of the economy, especially in the government sector. An improvement

in the public sector would only be possible if rewards and penalties were increased and human resources upgraded. If government were seen to be clean, then business could avoid costly delays and react more quickly to business opportunities.

*December 2002*

## NOTES

1 From 2001 the BPS changed its definition of unemployment to include not only people looking for a job but also those setting up a business. The pre-2001 statistics can be adjusted to accommodate the new definition by combining the two groups, as is done in Figure 3.7. As well as showing differing levels of unemployment, the two definitions differ slightly in the trends they show for unemployment over time. It is therefore important to use a consistent definition when studying intertemporal trends.

2 Note that the official statistics may understate private investment by not capturing fully the revival of activity among small and medium-sized enterprises.

3 It should be remembered that the exchange rate is usually related to the interest rate through the expectation of inflation. When the domestic currency strengthens, the expectation of inflation adjusts as people perceive that the domestic price of import-related goods will fall.

4 Despite the slow recovery in the banking sector, the sector as a whole has demonstrated improvements, as indicated by an increase in third-party funds and in loans provided by banks.

5 The exchange rate temporarily depreciated to Rp 9,300/US$ in the immediate aftermath of the Bali bombings in October 2002 but then recovered quickly to around Rp 9,000/US$ in late 2002.

6 The Paris Club has lowered debt amortisation payments for 2002 and 2003 by US$2.2 billion and agreed to reschedule $1.4 billion in interest payments.

7 This section is based on figures produced by the Macroeconomic Monitoring Team at LPEM. The author would like to thank M. Chatib Basri, Ari Damayanti and Kadek for providing these figures.

8 Both estimates have been revised downward in light of the Bali bombings.

9 The Bali bombings will affect the economy both directly (through their impact on tourism) and indirectly (through their impact on service-related sectors and on small and medium-sized firms manufacturing goods such as handicrafts). According to the current Input–Output Table issued by the BPS, the impact could reach 2–4 per cent of GDP, resulting in a reduction in output growth of about 0.5–0.8 percentage points of GDP. LPEM would therefore need to revise its projection for growth in 2003 downward, to 3.5 per cent (under a low-growth scenario) and 4.2 per cent (under an optimistic scenario).

10 The output gap is estimated by Bank Indonesia and compares maximum achievable output with current levels of demand.

11 This implies a Rp 200 billion increase in rice subsidies for the poor, despite a targeted reduction in the number of poor households and a 25 per cent increase in the price of 'poor' rice from Rp 1,000 to Rp 1,250 per kg.

12 Appendix Table A3.2 shows that the 2003 budget could have an expansionary impact of 2.8–3.5 per cent of GDP (depending on the method used to calculate its monetary impact), compared with 1.7–2.6 per cent for the 2002 budget.

13 Some economists – particularly institutional and political economists – argue that a time of crisis is the best time to conduct reform. The main arguments in support of this proposition are that crisis raises the awareness of policy-makers and politicians about the need for structural change; and that the declining resources available for public policies may help break the power of vested interest groups (Bruno and Meridor 1991; Edwards 2000; World Bank 1995).

14 Korea and Thailand faced similar concerns from the public when implementing their economic reform programs.

*Table A3.1 The Central Government Budget, 1999–2003 (Rp trillion)*

| Item | 1999/2000[a] | 2000[b] | 2001 Provisional | 2002 Budget | 2003 Forecast |
|---|---|---|---|---|---|
| **Total revenue and grants** | 188.5 | 204.9 | 299.9 | 301.9 | 327.8 |
| (% GDP) | (16.5) | (20.7) | (20.3) | (17.9) | (16.8) |
| Oil and gas revenue | 58.5 | 85.3 | 105.0 | 74.2 | 59.1 |
| Non-oil revenue | 130.0 | 119.6 | 194.9 | 227.7 | 268.7 |
| (% GDP) | (11.4) | (12.1) | (13.2) | (13.5) | (14.0) |
| **Total expenditure** | 206.2 | 219.9 | 353.1 | 344.0 | 354.1 |
| (% GDP) | (18.1) | (22.3) | (23.9) | (20.4) | (18.4) |
| Current | 55.1 | 161.4 | 231.3 | 193.7 | 186.4 |
| (% GDP) | (13.6) | (16.3) | (15.7) | (11.5) | (9.7) |
| Oil subsidies | 35.8 | 53.6 | 68.4 | 30.4 | 13.6 |
| Other subsidies | 11.2 | 9.2 | 13.2 | 11.2 | 11.8 |
| External debt interest | 20.6 | 18.8 | 29.3 | 30.0 | 25.8 |
| Banking sector costs | 22.2 | 31.2 | 66.2 | 59.5 | 55.1 |
| Development expenditure and net lending | 51.1 | 25.7 | 39.4 | 52.3 | 54.5 |
| (% GDP) | (4.5) | (2.6) | (2.7) | (3.1) | (2.8) |
| Balancing funds[c] | – | 32.9 | 82.4 | 98.0 | 113.2 |
| (% GDP) | – | (3.3) | (5.6) | (5.8) | (5.9) |
| **Budget balance** | –17.7 | –15.0 | –53.2 | –42.1 | –26.3 |
| (% GDP) | (–1.6) | (–1.5) | (–3.6) | (–2.5) | (–1.4) |
| **Domestic financing** | 1.8 | –5.4 | 42.7 | 23.5 | 16.9 |
| Bank financing | –1.1 | –13.5 | 7.6 | 0.0 | 8.5 |
| Privatisation | 3.7 | 0.0 | 3.5 | 4.0 | 8 |
| Asset sales/loan recovery | 12.9 | 18.9 | 31.0 | 19.5 | 12 |
| Bonds | 0.0 | 0.0 | 0.7 | 0.0 | –11.6 |
| Arrears | –13.7 | 0.0 | 0.0 | 0.0 | 0 |
| **Foreign financing** | 15.9 | 9.6 | 10.5 | 18.6 | 9.4 |
| Disbursements | 36.2 | 17.2 | 30.3 | 33.2 | 26.1 |
| Repayments | –20.3 | –7.6 | –19.7 | –14.6 | –16.7 |
| *Memorandum* | | | | | |
| Oil price (US$ per barrel) | 21.2 | 29.4 | 24.0 | 22.0 | 20.5 |

a Fiscal year ending 31 March. b April–December 2000.
c Transfers to regions on account of devolution, including special autonomy funds.

*Source*: Ministry of Finance; Bank Indonesia.

*Table A3.2 The Monetary Impact of the Government Budget*

| Item | 2002 (Plan) | | 2002 (Real) | | 2003 (Projection) | |
|---|---|---|---|---|---|---|
| | (Rp trillion) | (% of GDP) | (Rp trillion) | (% of GDP) | (Rp trillion) | (% of GDP) |
| **A. Rupiah revenue** | | | | | | |
| Tax revenue | 219.6 | 13.0 | 217.8 | 12.9 | 246.5 | 12.8 |
| Oil and gas | 15.7 | 0.9 | 15 | 0.9 | 12.6 | 0.7 |
| Non-oil and gas | 203.9 | 12.1 | 202.8 | 12.0 | 233.9 | 12.2 |
| Non-tax revenue | 23.7 | 1.4 | 27.4 | 1.6 | 20.5 | 1.1 |
| Privatisation proceeds | 4.0 | 0.2 | 4.4 | 0.3 | 8.0 | 0.4 |
| IBRA asset sales | 19.6 | 1.2 | 24.4 | 1.4 | 12.0 | 0.6 |
| New government bonds | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.4 |
| **Total** | 266.9 | 15.8 | 274 | 16.2 | 287.0 | 15.0 |
| **B. Rupiah spending** | | | | | | |
| Routine | –162.1 | –9.6 | –166.9 | –9.9 | –157.9 | –8.2 |
| Investment | –35.5 | –2.1 | –33.4 | –2.0 | –42.3 | –2.2 |
| Regional balancing funds | –98 | –5.8 | –98.7 | –5.8 | –113.2 | –5.9 |
| Government deposits at Bank Indonesia | 0 | 0.0 | 0 | 0.0 | –8.5 | –0.4 |
| Bond redemptions | 0 | 0.0 | –3.5 | –0.2 | –18.7 | –1.0 |
| **Total** | –295.6 | –17.5 | –302.5 | –17.9 | –340.6 | –17.7 |
| **C. Statistical error** | | 0.0 | | 0.0 | | 0.0 |
| **D. Monetary impact** | | | | | | |
| With oil and gas tax | –28.7 | –1.7 | –28.5 | –1.7 | –53.6 | –2.8 |
| Without oil and gas tax | –44.4 | –2.6 | –43.5 | –2.6 | –66.2 | –3.5 |
| **GDP** | 1,685.4 | | 1,690.8 | | 1,919.1 | |

*Source*: Ikhsan and Simanjuntak (2002).

# PART II

# Decentralisation and Democratisation Overview

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# 4 REGIONAL AUTONOMY AND LOCAL POLITICS IN INDONESIA

*M. Ryaas Rasyid*

The new policy of regional autonomy introduced in Indonesia under Laws 22 and 25 of 1999 has been legally in force since January 2001. Unlike the laws of the same year on the party system, general elections and the structure of the legislatures, which were subject to widespread public comment and debate, the two decentralisation bills attracted relatively little public attention. In the national parliament itself, the bills were passed into law with a minimum of debate and few amendments. Indeed, no substantial changes were made from the government's original draft legislation, a remarkable outcome considering the sweeping nature of the decentralisation provisions. Members of parliament generally considered the bills to be too good to be true; for the first time, the government itself had initiated a policy to reduce its own powers and surrender authority to the regions in a significant way. In other words, for both parliament and the public, Laws 22 and 25 reflected a genuine commitment to the reform of governance.

Parliament's positive response to the decentralisation bills reflected a view that the proposed changes represented an acceptable compromise between the two main contending concepts of government reform, namely the introduction of a federal system under which power would be devolved to the provinces, or the retention of the existing highly centralised system with only small modifications. Neither of these options enjoyed strong public support. Any attempt to shift power to the provinces would have been read by the conservative unitarians as promoting federalism, by extension placing at risk national coherence and integrity. Inevitably this would have ignited a bitter public debate. The Habibie government had maintained from its inception that the period of extreme centralism was over, but it did not wish to be labelled federalist. The focus of regional autonomy was therefore on the district and municipality (*kabupaten*/*kota*) rather than provincial level of government. The devolution of

political and economic authority to the district tier of government was seen as an acceptable middle-way solution. The policy was intended to provide more scope for local creativity and initiative in making policy and promoting public participation.

From a political perspective, decentralisation is fundamental to the development of democracy. First, it gives the provincial and district legislatures (DPRD I and II) the power to elect and hold accountable local heads of governments (that is, provincial governors and district heads – the *bupati* and mayors); to initiate and promulgate statutes and regulations; to approve budgets; and to create new institutions. None of this was possible under the previous system without the approval of the central government. Second, with the considerable powers now invested in the regions – especially in the fields of mining, forestry, industry, investment, land administration, public works, education and culture, public health, transportation, environment, cooperatives and labour affairs – local communities have gained vastly greater opportunities to participate in decision-making and to provide their own services. Third, as a consequence of heightened public accountability, the community can ensure that its interests will not be violated.

Having outlined the philosophy underlying the decentralisation laws, we need to turn now to how well they have been implemented in the past two years and what changes they have wrought.

## THE POWER OF THE DPRDs

The new role of the DPRDs in electing and requiring accountability from the local head of government (the governor at the provincial level and the *bupati* or mayor at the district level) is a dramatic change from the previous system. Under Law No. 5 of 1974, the regional legislatures had been subservient to the central government. Heads of local and provincial governments were chosen by the central government, and thus were responsible not to the local or provincial DPRD but to Jakarta. Usually a DPRD would elect three people as candidates for the position of head of local government, with the final decision among these three lying in the hands of the central government. The president decided who was to become governor, while the Minister of Home Affairs chose the *bupati* and mayors. Neither the president nor the minister were bound to select the candidate who had gained the most votes in the DPRD, and in some cases the successful candidate was in fact the one with the lowest level of support at the local level. Such decisions were usually justified as being in the 'national interest'. In addition, candidature for leadership positions was restricted to civil servants and military officers drawn from the ruling Golkar party. Thus, under the 1974 law, there were no democratically elected heads of provincial or local

government. This centralistic-authoritarian system was maintained through to 1999.

Law No. 22/1999 granted the DPRDs full authority to elect their own heads of government, thereby giving regional communities sovereignty over their political affairs. It was expected that with the elimination of central intervention, local governments would freely elect the best and the brightest to lead them. This optimism has not proven to be well founded, however. The political behaviour of DPRD members has not always been consistent with the philosophy underpinning the law.

The main problem is that members of the DPRD are not elected directly by the people, but rather are appointed by their parties. The public determines at elections what percentage of the parliamentary cake each party will get. Who gets to eat this cake is determined by the party leaders. Not surprisingly, most party leaders rather like cake and put themselves in the DPRD. Consequently, over the past few years, control of local politics has passed from Jakarta bureaucrats to party officials, rather than to the people as was originally intended. The electoral system is at fault here, as it effectively insulates members of parliament from the public. As a result their main political concerns tend to be personal issues and internal party matters rather than community interests and aspirations. The issue of electoral reform is therefore crucial to making local politics more democratic and community-focused. Hence, the demand for the direct election of governors, *bupati* and mayors should be seen in the context of the electorate wishing to determine precisely who will represent them and who the head of the government will be.

Even so, it is most interesting to note the 'personnel' changes taking place in local government. The autonomy laws have seen the rise of civilian leaders in local government. The controversial re-election of Lieutenant General (ret.) Sutiyoso as governor of Jakarta in August 2002 was thus an atypical development, as in general local government leaders with a military background have failed to be re-elected – or even elected for the first time – since Law No. 22/1999 came into force. Another positive but sadly little noticed development is the number of women who are now being elected as *bupati* and mayors. During the 20 years of the New Order, I am aware of only one woman being elected to a local leadership position. Over the past two years, however, at least seven have been elected, including one young woman of about 30 who is a key power broker in the district of Kebumen.

Following the 1999 general elections, the map of parliamentary membership changed from a thick spread of Golkar yellow to a more 'colourful' picture as a diverse array of parties gained seats. Only about 10 per cent of DPRDs have single-party majorities. This has made rivalry and competition for top government positions more complex and unpredictable. During the Soeharto era, the public could safely predict that Golkar candidates would gain gover-

norships, *bupati*-ships and mayoralties. Now, not even members of parliament themselves can be sure of an election outcome. Elections for key positions involve intensive bargaining between factions, sometimes with surprising, even shocking, consequences. Some elections have been marred by violence, as in Bali when candidates of the Indonesian Democratic Party of Struggle (PDI-P) lost to Golkar despite the PDI-P having a clear majority in the DPRDs concerned. Again this shows that parliamentarians' real lines of accountability are to themselves or their parties, not the wider public.

The dramatic change in the colour of the political landscape is apparent in provinces such as Jambi in Sumatra. In January 2000, Zulkifli Nurdin, a businessman with no political experience and no record of successful leadership, was nominated for the governorship by the National Mandate Party (PAN), which had only two representatives in the provincial DPRD. Surprisingly, Nurdin defeated his more fancied rival, Hasip Kalimuddin Syam, the previous vice-governor of Jambi, who was backed by Golkar and its 13 parliamentary members. Nurdin received 30 of the 45 votes cast in the DPRD to Syam's 13. Soon after the election, about 300 Golkar supporters protested against the result and violently attacked the parliament. The fact that Nurdin was one of the richest men in Jambi made it difficult for the public to believe that the election had been free from bribery.

Since the implementation of the decentralisation laws in January 2001, the public has become increasingly suspicious of the role of bribery in local politics, particularly in elections for local heads of government. The term 'money politics' has become closely attached to almost all gubernatorial as well as *bupati* and mayoral elections. Few of the local government leaders elected since January 2000 are free from public allegations of having tried to bribe DPRD members in order to secure their positions. Ironically, none of these allegations has ever been proven, and no alleged corruptor has yet resigned or been forced from office. Most of the legal suits alleging corruption have been filed by NGOs and do not make it to court owing to a lack of hard evidence.

In short, what we see here is a popular perception that local parliaments are places where 'black' money is circulating without any legal instrument available to stop it. The fact that elections for leadership positions are decided by secret ballot reduces public accountability even further. This is no doubt one of the reasons why public trust in regional governments and legislatures has declined since the implementation of the regional autonomy laws. The problem is exacerbated by the perception that the quality of leadership provided by the new governors, *bupati* and mayors is no better – and in fact often worse – than that of their New Order predecessors.

DPRDs and regional government leaders have a critical role to play in issuing local regulations. The DPRDs have the authority to initiate, amend and pass regulations, while the heads of government, under Law No. 22/1999, are

required to approve them. The same procedure applied in the past, but with the additional requirement that before any regulation could take effect it had to be ratified by the Minister of Home Affairs. Under the new laws, once a regulation is passed by a DPRD and approved by the head of the government, it becomes effective immediately. A copy of the regulation should then be sent to the Minister of Home Affairs in the form of a report only. The minister is responsible for checking each regulation to make sure it does not violate any higher law or the public interest. If no such violation is found, then the central government may not use its power to invalidate the regulation.

Under a government regulation enacted in July 2000 (PP 25/2000), the central government undertook to provide, by November 2000, a set of technical guidelines on the implementation of decentralisation laws. Provincial and district governments would use these as the basis for drawing up their own regulations on the public services transferred to their authority. As of late 2002, however, Jakarta had yet to complete the process of issuing such guidelines. In other words, it has violated its self-imposed obligation to furnish proper guidance to the regions, which makes it look half-hearted and inconsistent in implementing the decentralisation policy. Because of the lack of comprehensive central guidelines, many regional governments have promulgated their own regulations, based largely on local interests or concerns rather than on national law or the broader public interest. The Indonesian Chamber of Commerce and Industry (Kadin) recently found that more than 1,000 local regulations were unfairly burdening the business community, thereby discouraging new investment.

Another weakness in the present system is the absence of any form of 'neutral mediation' to provide independent judgements about the fairness and quality of local government regulations. At present Jakarta is reluctant to interfere, even when it believes a local regulation is invalid, lest it be thought to be behaving like the New Order government. Some kind of arbitration, or even judicial review, is needed to make sure that national laws are upheld consistently. This would also help to ensure legal certainty, because local governments would have to accept the judgment of the arbiter.

The DPRDs enjoy much more discretion in budgetary matters and institution building under Laws 22 and 25 of 1999 than they did under Law No. 5 of l974. For more than 20 years, the structure of provincial and district administrations was determined by the central government. These regional structures were uniform across the archipelago, whether in Central Java or Central Papua! DPRDs and local government bodies had no authority to create local bureaucratic organisations, or even to organise their own secretariats. This centralistic system affected institutional formation and bureaucratic behaviour across the regions, making it difficult for local governments to respond to and accommodate community needs and aspirations. Central government officials closed

their eyes to the desirability of local governments being able to arrange their own bureaucratic structures, believing that organisational uniformity was necessary to support the principle of a unitary state. In short, under an integralist view of the unitary state, any attempt to give expression to the nation's pluralism was firmly suppressed.

With the passage of the new decentralisation laws, this old paradigm has changed. Local governments are now free to create and modify their own institutional structures, enabling them to respond more effectively to local needs and dynamics. The civil service administration as well has the authority to plan and manage its own human resources.

A similar process is at work in local government budgeting. Formerly, DPRDs had only limited authority over their budgets. Most funding for regional development was provided by the central government in the form of specific or 'tied' grants; local governments and parliaments had little discretion over the allocation of that money. The only funds they could draw on freely were locally raised income – in most cases small sums derived largely from local taxes. On average, the contribution of locally derived income was less than 20 per cent of the total budget. In 1998, the only district to have a local income of more than 50 per cent was Badung (which includes Kuta) in the province of Bali. In East Nusa Tenggara, to make an extreme comparison, local income was less than 10 per cent. In most regions, genuinely local income was used only to support regular civil service activities. Even the salaries of local officials were generally funded by government subsidies. These arrangements helped to maintain dependence on Jakarta throughout more than two decades.

The new budgetary arrangements give local governments far higher levels of income derived from many more sources. They receive a share of oil and gas revenues as well as continuing to receive block grants from Jakarta's General Allocation Fund (DAU). This aspect of fiscal decentralisation, which came into force in January 2001, has enabled the DPRDs in resource-rich provinces in particular to generate higher revenue. The central government allocates 25 per cent of domestic income to the DAU (article 7, Law No. 25/1999). DAU funds are distributed to the regions based on the population size, area, geographical location, level of income and natural resources potential of each territory, with 90 per cent going to the district level of government and only 10 per cent to the provincial level. In addition, the central government supports specific projects in selected regions through its Special Allocation Fund (DAK). DAK funds are mainly targeted at helping poorer regions maintain and improve services such as public education, health, environment, transportation and water supply. The revenue-sharing arrangements with the regions vary according to the source from which the revenue is generated. For example, the split between the national and local governments is 10:90 in the case of property taxes, 20:80 for fisheries, 85:15 for oil and 70:30 for natural gas.

Most local governments have adjusted their institutional and bureaucratic arrangements following the implementation of the new laws and regulations. Some have greatly expanded their organisational base, whereas others are making do with smaller administrations. More time is needed to assess the effectiveness of these new administrative structures, but early indications are that local governments are using the new revenue to fund infrastructure development and promote social empowerment programs. In the oil-rich district of Kutai Kartanegara in East Kalimantan, for instance, the local government has allocated Rp 2 billion to the upgrading of infrastructure in every village. It has also waived fees for all students, whether in the state or the private school system. It also has plans to build its own power plant, to support a proposed industrialisation program. None of these programs would have been possible under the earlier centralised system.

## PUBLIC SERVICES

As stated above, the 1999 decentralisation laws devolve authority primarily to the district level; the powers of the provinces are strictly limited. Law No. 22/1999 stipulates that in principle local government will have authority in all fields except security and defence, foreign affairs, fiscal and monetary policy, the judicial system and religious affairs. The law gives the central government responsibility for national planning, the allocation of financial subsidies to the regions, the strengthening of national economic institutions and public administration, the promotion of human resource development, the control of natural resource exploitation (including conservation) and the application of high-technology and national standards (article 7, Law No. 22/1999).

The wide powers granted to local government were intended to improve the quality of public services in the regions. In the past, for instance, local governments were not permitted to grant investment licences and so could not make a direct contribution to solving problems such as unemployment. Now they do have the ability to create jobs, through their investment and industrial policies.

In the context of investment, PP 25/2000 makes it clear that, with the exception of oil, gas, and mining resources containing highly radioactive components, the authority to grant investment licences now lies with regional governments. (The provincial government is the responsible entity in cases where an investment involves more than one district or municipality.) The regulation states that all existing licences and contracts will remain valid and cannot be terminated, sending a clear and strong guarantee to investors that regional autonomy will not disturb or burden their existing operations. The regulation also provides that the implementation of regional autonomy will not add to the taxation burden of business.

The reality, however, is somewhat different. As mentioned earlier, the lack of central government guidelines to steer local government decision-making has created great uncertainty and tension in the regions, with some local governments promulgating regulations based on their own interpretations of Law No. 25/1999 and PP No. 25/2000. Their actions have produced much controversy because, without proper supervision by the central government, local policies could unwittingly breach national law and even community interests.

Take, for instance, the hundreds – possibly even thousands – of new mining, forestry, fishing and trading licences that violate existing laws, or the new taxes and charges local governments have frequently imposed on business in order to generate revenue. Several companies have been forced to close because of their inability to pay local taxes, inevitably increasing unemployment. These locally raised taxes and charges are a deviation from the principles of the decentralisation laws, which were devised, among others things, to provide a better climate for investment and to improve the standard of living of citizens.

## PUBLIC ACCOUNTABILITY

Public participation in the process of decision-making in Indonesia has increased greatly since the fall of Soeharto in 1998. Since the enactment of Law No. 22/1999, public awareness of the right to demand accountability from government seems to have spread. This can be seen, for instance, in the growing number of NGOs monitoring government activities. Hundreds of organisations with names like 'Government Watch', 'Parliament Watch', 'Corruption Watch' and 'Judicial Watch' have sprung up across the country to observe and evaluate local government performance. The mass media is also playing a more significant role in exposing cases of maladministration, something that rarely happened before.

These new developments have made the principles of public transparency and accountability crucial to local government in Indonesia. The legitimacy of government should be, and indeed is, increasingly being measured through public accountability practices, making the DPRD, whose function it is to oversee local government, more sensitive to public opinion. In some cases, a governor, *bupati* or mayor has been dismissed by a DPRD largely as a result of public pressure. Of course, demonstrations or mob activity do not always reflect the wider community's opinion of the political leadership. Nevertheless, public emotion sometimes has a great impact on DPRD members. One example of this occurred in August 2002, when a mass rally in Banjarmasin successfully intimidated the South Kalimantan provincial DPRD into sacking the governor, Dahran. I consider such events to be part of an unavoidable learning process for

Indonesians. I hope that they will provide us with lessons on how to improve our system by making public leaders directly accountable to the people.

## CONCLUSION

The description presented above may serve as a general introduction to Indonesia's regional autonomy laws, their implementation and their impact on local politics. The policy of decentralisation has changed the pattern of the relationship between the centre and the regions. There have been a number of problems with the implementation of the laws. The central government still needs to complete many regulations, and correct past mistakes, in order to maximise the benefits of the new laws in achieving good governance.

In the spirit of regional autonomy, the central government has negotiated special autonomy packages with Aceh and Papua. This would have been unthinkable in the Soeharto era. The packages give local communities a far greater say in determining the shape and policies of their governments. In Aceh, for example, the governor will be elected directly by the people. In Papua, an upper house of parliament, the Papuan People's Assembly (MRP), will be established with equal representation from tribal (*adat*) communities, religious organisations and women's groups. Unlike the present upper house, all members of the MRP will be elected by the people.

Thus, the process of bringing democracy to local government has started, leading to a greater level of dignity and responsibility for local communities. However, Indonesians need to continue to support this process, and to improve the implementation of regional autonomy. We are now in just the second year of what will be at least a decade-long transitional process. I believe that the decentralisation process, more than any other government program, will provide the basis for real and lasting stability in Indonesia. The reason is simple: regional autonomy is founded on both reality and idealism. The reality is that Indonesia is a very diverse country, and autonomy allows scope for the expression of different cultural, social and political traditions within a unified nation. The ideal is that diversity is a good thing, a source of strength and dynamism. It is the source not of disintegration but of renewal and vitality. The fear of diversity that drove so many Soeharto-era policies was baseless. The overcentralisation that resulted from this fear almost did bring about disintegration. Thankfully, that era has now passed.

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# 5 NOT ENOUGH POLITICS! POWER, PARTICIPATION AND THE NEW DEMOCRATIC POLITY IN INDONESIA

*Hans Antlöv*

Building functional, democratic and autonomous politics in a situation of political distress, economic crisis and floundering social institutions, after decades of hegemonic authoritarian rule, is the daunting task on which Indonesia has embarked. So far it has been a painful and somewhat slow process – after four years of democratisation the nation still has not managed to decide on a comprehensive reform agenda for the renewal of the bureaucracy and public institutions. But by other measures the country has come a long way since the election in 1997 when the state party, Golkar, received 76 per cent of the national vote, allowing Soeharto to be unanimously re-elected as president the following year (only to be ousted two months later). Most astonishing perhaps is the radically revised relationship between the central and local governments, and the revival of local democracy and grassroots initiatives. Civil society actors around the country, who for decades have been left outside the public sphere, are demanding their rights. And local state bureaucracies are slowly opening up to consultation and public participation in ways that were unheard of five years ago.

But consolidating democracy will not be easy. As Vedi R. Hadiz argues in Chapter 8 of this book, authoritarian forces are still strong within the military, the economy, the bureaucracy, and even political parties. The present form of democracy in Indonesia – recently described by Törnquist (2002) as a 'bad-guys democracy' – benefits local bosses, thugs and corruptors. A weak state is just what the old forces and hardliners want. They have been innovative in capturing the new democratic spaces provided by the dismantling of the Soeharto empire and the centralised state. The bureaucracy remains dominated by people trained under the authoritarian regime, so riddled with corruption that it has grown incapable of serving the public interest. Many of the people who lived comfortably under the New Order are still in power today, albeit under new

political arrangements, and often wearing different party shirts. They have been joined by a new class of 'predatory interests' (to use Hadiz's term) or *preman politik*, 'political thugs' (Suaedy and Simanjuntak 2000), people that have emerged since the demise of Soeharto to cleverly capture the new democratic spoils. Many of them use the language of democracy and autonomy, or at least their versions of a weak democracy in which the basic relations of power remain unchallenged, since they have benefited from the political openings accompanying the end of Soeharto's monopoly on power. The rent-seekers are troubled by the 'power of the masses' for two reasons: the poor and disadvantaged cannot pay rents, and they may be able, through sheer force of numbers, to impose their political will on the elite.

In such conditions – of an excluded group of poor people and a democratic deficit – how can popular participation be widened and expanded? Evidence from other parts of the developing world shows us that substantive and strong democratisation can be achieved only when government has the will and authority to disempower hardliners and old forces. Democratisation alone – without including the disadvantaged, and without greater accountability from government officials and politicians – is insufficient. This suggests the need for a state that is both democratic and strong. Only a strong state can withstand the power of global markets and protect its citizens from the 'bad guys'. And only a democratic state can deny the iron law of oligarchy that 'power corrupts', to allow the exercise of civic authority over public matters. Together these two principles make for a strong democracy, one that accentuates the equality of power in democratic decision-making and thus challenges unequal power relations – as opposed to a weak democracy that emphasises individual rights to property and therefore accepts the unequal outcomes of markets (Barber 1998; Barker 1999; Swift 2002).

I am not a great fan of Winston Churchill, but he did say something thoughtful: 'democracy is the worst form of Government except all those other forms that have been tried from time to time'. Democracy is imperfect. But the answer to a defective democracy is *more* democracy, not less. (In the philosopher John Dewey's words: 'The cure for the problems of democracy is more democracy'.) If politics in Indonesia were to be more visible, pervasive and unrestricted, power would become more evenly distributed. An open political space forces elites to relate actively to ordinary people as constituents or political opponents, rather than manipulating them or mobilising and dividing them along religious or ethnic lines. But it is not enough simply to open up political spaces, since history shows that market and societal forces will allow these spaces to be captured by elites, whether market-based or traditional. There must therefore be a mechanism to allow the poor and vulnerable to make their voices heard, one that equalises decision-making power and permits people of all backgrounds to take an active part in politics – and not just at election time.

I am not referring primarily to the high politics of elections, constitutions and parliaments. Rather, society itself needs to be politicised in the everyday form of 'low politics'. It is above all at the local level that Indonesia must begin to rebuild its political life and basic institutions. Local, everyday politics is the foundation for other form of politics, opening up the spaces that have been monopolised by rent-seekers. Without grassroots democracy, it is impossible to sustain democracy at the national level. (The opposite is also true: if the central government does not protect rights of assembly and expression, it is difficult to democratise the grassroots.) Politics needs to be built from below, because this is where social forces are at their most dense, where political recruitment and the building of constituencies takes place, where people can translate national policies into local programs, and where local issues become national ideology. It is on this level that politics matters to people; this is where they are free to determine their own destinies, express their own views and participate in the decisions that shape their lives. And the more competition that politics entails, the greater the likelihood that elites will seek political support from disadvantaged groups, thus diversifying the political arena and engendering pro-poor policies.

A reinvention of pluralist local politics will be resisted by hard-line power-holders and rent-seekers, many of whom lived comfortably under Soeharto. The institutions of political society (parties, parliaments and the like) that have been co-opted by thugs, opportunists and the naïve must be reclaimed. Arguably, this can only be achieved through democratic struggle at the local and the national level. In this chapter I will discuss how and where this is already happening, with particular reference to three grassroots phenomena: citizens' forums, village councils and social movements.[1] A narrow focus on the dominance of formal local political institutions overlooks much that should give us cause for hope.

## THE NEW ORDER LEGACY: AN 'ANTI-POLITICS' ATMOSPHERE

Decades of authoritarian rule has ruptured the social texture of local politics and community institutions in Indonesia. New Order politics was based on ideological monopoly, forced allegiances and political mobilisation ahead of elections. A closing down of politics was introduced in 1971 with the 'floating mass' policy (formalised in law in 1975), whereby political activities were banned below the *kabupaten*/*kota* (district/city) level. The crippling uniformity the New Order imposed on ordinary people undermined critical thinking and extracted a heavy price in the form of standardisation, co-optation of community leaders, abuse of power and corruption.

In the context of local politics, one particularly crucial legacy of the Soe-

harto era is a polity that in important respects has been depoliticised. In post-*reformasi* Indonesia, political parties are still widely viewed as tainted. *Politik* is something of a dirty word, used to describe the motivations behind unwanted and unpopular decisions (as in *dasar politikus*, 'typical of a politician!'). There is a (re-emerging) view among state elites that there is too much mass participation in politics in Indonesia, and that politics should remain the prerogative of the ruling class. This explains the calls in recent times for a 'political moratorium', with Golkar leaders stating in mid-2001 that Indonesia would be better off if there was less politics.[2] Calls for a more restricted political space have come not only from Golkar but also from the Indonesian Democratic Party of Struggle (PDI-P). In the view of at least some PDI-P figures in the government (the president, unfortunately, among them), NGOs should confine themselves to community development and refrain from engaging in politics. In November 2002, for example, President Megawati Sukarnoputri warned against excessive democracy – she used the term 'ultra democracy', quoting Mohammad Hatta's original description of the 'liberal' 1950s – saying that political parties should not misuse their democratic mandate (*Jakarta Post*, 26 November 2002).[3]

Along with this legacy of anti-politics, depoliticisation has had the effect of depriving ordinary citizens and prospective leaders alike of critical knowledge about how to engage in politics. For decades, people learnt that the only way to solve conflicts was through violence; that the only way to reach decisions was by monopolising power; that the only way to gain promotion was by manipulating connections; and that the only way to conduct politics was through patronage. Many people today simply do not know how to construct programs around important principles, build and educate constituencies around political issues, lobby for their interests, engage the public in debate, produce alternative public policies, or solve conflicts peacefully.

This has had important consequences for the pro-democracy movement – source of the potential leaders of tomorrow. Many of the civil society groups that made up this movement during the 1990s were not particularly politically savvy. They seldom engaged in political education or the empowerment of *kampung*-dwellers, one obvious reason for this being that they were not allowed to. Their more usual role was to act as intermediaries (some would say gatekeepers) for oppressed farmers or workers. Relations between them and the grassroots were anything but democratic, and both the government and ordinary people sometimes referred to pro-democracy activists and NGOs as 'troublemakers' (*tukang ribut*).

Today, democrats are sometimes accused of being *provocateurs*, of pushing the democratic envelope too far. Many ordinary Indonesians are becoming fed up with the many demonstrations that are held, saying that they merely contribute to traffic congestion without addressing their concerns. Some are beginning to view the stability and political order of the past with nostalgia. This is

a dangerous trend. A democracy needs strong linkages between the civil and political spheres and trust between citizens, activists and politicians. It is up to civil society organisations and the pro-democracy movement to prove that the negative images projected of them are false: that they are working to deepen democracy by challenging existing power relations. And they must do this in a language that the common people recognise and through achievements that matter to them.

So far, civil society and the pro-democracy movement have not been able to promote any real political alternative to the major parties or the dominant style of pragmatic and elite-based politics (Törnquist 2002: Ch. 8; Hadiz, Chapter 8, this volume). This seems to be because of the fragmented character and weak political interest of civil society actors on the one hand, and the continued monopolisation of politics by state officials, local power-holders and thugs on the other. What is needed is to strengthen civil–political ties, to link pro-democracy actors through political networks that reach both downwards into grassroots movements and upwards into political institutions, and thus to overpower the 'bad guys' – in short to create a strong democracy.

The legacy of authoritarianism and public distrust of government have created a lack of respect for rules and regulations. The court system is corrupt and law enforcement inadequate. Public institutions and policies can be manipulated, and in fact the best way to have a decision or policy goal accepted is to actively engage in this manoeuvring. This has led to a high degree of pragmatism in politics and governance. Former Vice-President Adam Malik once said that anything could be arranged (*semua bisa diatur*) in Indonesia – for a price, he could have added. Throughout the New Order period there was little contestation over ideology or politics, and rules and laws were rarely enforced. Principles were therefore of little importance. The elite interpreted the state ideology of Pancasila (not to mention common law) pragmatically, using commonsensical and businesslike standards, looking at what could be gained rather than taking a dogmatic or ideological standpoint. This has led to a view of politics in which people do not hold strong values and where short-term returns are more important than ideological principles.

A related viewpoint is that politics should be conducted on the basis of consensus and harmony – that political differences of opinion are undesirable and even a bit dangerous. One still sometimes hears a politician say that the politics of opposition and of questioning the policies of the dominant elite is a foreign concept in Indonesia. Consensus should be reached where possible; as a recent editorial put it, 'if differences can be ironed out through debate, then why put them to a vote?' (*Jakarta Post*, 12 August 2002: 4). Such views need not be problematic if they mean only that decisions should be reached through public deliberations. It is when they imply – as they often do – that opposing views should not be heard at all that this is dangerous for democracy.

To sum up, there is a risk that democratic consolidation in Indonesia could be undermined by an emerging anti-political atmosphere and a capture of political spaces by quasi-democratic politicians. These have their roots in the Soeharto period, in the policies of depoliticisation and disempowerment of the grassroots, the denigration of the very concept of politics, the lack of political skills on the part of important political actors, the dominance of pragmatism, and the widespread hostility to opposition and political differences.

But despite the apparent dominance of an anti-political outlook and dynamic at the elite level, at the grassroots level many exciting developments are taking place. These are serving to reinvigorate local politics and provide greater hope for the future of democracy; in providing a voice for the poor and disadvantaged, they are challenging the legacy of the New Order. In the remainder of the chapter I will look more closely at these opportunities and developments, to show how the weaknesses described above are being addressed by a myriad of new civil society groups.

## THE REVIVAL OF LOCAL POLITICS

In 1998, the fact that an entrenched president of Indonesia could suddenly be replaced was a radically new idea for most of the country's citizens. During the preceding decades it had scarcely been possible to replace even a corrupt village head. Suddenly, the limits of what was possible were pushed outwards. People were free to express their views on political matters, not only privately as in the past, but also in public. They could engage in local politics without fear of retribution. And they did just this, all over Indonesia, in an exciting wave of grassroots mobilisation and initiatives.

There are at least two factors driving the repoliticisation of Indonesian society. The first is democratisation, through the freedoms of expression and association and an enlivening of civil society at the grassroots level. But equally important for local politics is the new policy of decentralisation. By giving local governments broader democratic powers to take decisions on matters affecting their communities, decentralisation is encouraging citizens to exercise their democratic authority over public matters. Indeed, one of the promises of regional autonomy is that it will open a space for people to take an active part in governing their own communities.

Decentralisation policies are often described as prerequisites for local democracy (Manor 1999; Blair 2000; Fung and Wright 2001; Cornwall and Gaventa 2001). The shift of power and resources from the central to local governments has the potential to promote democratisation by allowing for greater responsiveness, representativeness and accountability in the processes of government. With decision-making pushed downwards, community members can

connect more readily with state authorities and become directly engaged in local decision-making, in lobbying for their interests, and in building networks and constituencies centred on matters of local concern.

There are many signs that this process is at work in Indonesia. By pushing decision-making downwards, Law No. 22 of 1999 on regional governance has encouraged the growth of more exciting politics at the local level (Rasyid, Chapter 4, this volume; Hidayat and Antlöv 2003). Not only have local parliaments been significantly empowered, but many ordinary people have started to engage in dialogues on the future of their home towns and villages. Much of what I describe below would not have been achieved had it not been for the new decentralisation policy, which has literally shattered the centralised state's monopoly over power and resources. Power has become more localised, giving rise to a multiplicity of voices and interests.

## Citizens' Forums

One of the more exciting new mechanisms for political participation is what are variously called social action groups, non-partisan popular councils, deliberative assemblies or simply citizens' forums (*forum warga*) (see Antlöv 2003a). These are formed around a common cause by groups of citizens in a town or district.

Let me briefly mention one such group, the Forum for a Prosperous Majalaya (FM2S), founded in 2000 to promote the interests of the industrial town of Majalaya just outside Bandung in West Java. Established under the auspices of local NGOs, FM2S set out to address some of the pressing issues facing Majalaya, such as communal tension, pollution and congestion. Although not elected, its members represent the various stakeholders coexisting in the town: pedicab drivers, hawkers, factory workers, entrepreneurs, shopkeepers, teachers, religious leaders and so on. One of the first problems FM2S tackled was the poor condition of local roads. In just two weeks it collected Rp 350 million from local factories to pave part of the road to Bandung. At present members are working on a long-term, comprehensive strategy to prepare a new town plan: for example, the marketplace and bus station need to be relocated in order to open up space for pedestrians.

But perhaps the most notable achievement of FM2S so far is not the material development it has fostered but rather its 'democracy-making'. FM2S has generated a sense of civility in discussing sensitive matters. Initial meetings were tense and marked by distrust between the various stakeholders. Today, meetings are held in a much more intimate atmosphere, even though the participants represent groups who have been (and may still be) in dispute – pedicab drivers and hawkers, for example, are both demanding to be given access to the township's narrow lanes. Despite their differences of opinion, the members of FM2S have succeeded in reaching agreements and making commitments for

follow-up action. The jargon, prejudices and stereotyping that characterised early discussions have fallen away significantly. Meanwhile, the role of the organisation in acting as a conduit for the distribution of information to the township has opened up. FM2S has made it much easier for residents to gain access to facts and figures – on the local government budget or town planning, for example – and thus to become agents of change.

There are thousands of *forum warga* like FM2S around Indonesia where concerned citizens can come together to solve problems affecting their immediate neighbourhoods. There is no single pattern: some *forum warga* work closely with the government (FM2S is chaired by the *camat*, or subdistrict head), while others are more advocacy-oriented and remain outside the formal political sphere. Most are formed at the village or subdistrict level, but there are a few *forum warga* at the district and municipal level (often known as *forum kota*, or city forums). These groups have in common a desire to affect policy-making and see public funds reallocated for the benefit of their constituencies. Even if their members do not wish to become formally involved with political parties, there can be no doubt that they are nevertheless engaging in local politics. The *forum warga* are excellent training grounds for wider political involvement: through them people learn to argue a case, compromise, relate to a constituency and take decisions democratically.

## Village Councils

One rarely noted element of Law No. 22/1999 is that it allows for a quite radical democratic renewal of village governments (Antlöv 2003b). This has been achieved through the introduction of a new village council, the Village Representative Board (BPD), and by establishing a separation of powers at the village level between the village council on the one hand, and the reformed village executive government (consisting of a village head and his or her staff) on the other.

Previously, under Law No. 5/1979, village governments had to conform to a standardised pattern and traditional governance structures were not recognised.[4] Villages had no autonomy and were under the direct authority of the subdistrict government – they could take no decision without the prior approval of a higher authority. In exchange for their subordination and loyalty, village heads, as 'clients of the state', were invested with almost unlimited powers; they were the 'sole power' in the village. As the *ex officio* chair of the now discontinued Village Consultative Assembly (LMD) and Village Community Resilience Board (LKMD), the village head was in firm control of village-level government. There was no separation of powers, and no system of checks and balances. This led in many cases to corruption and abuses of power. Local politics was heavily monopolised by these clients of the state.

This situation has changed radically with the introduction of BPDs. These miniature parliaments consist of 5–13 members elected every five years 'by and from villagers'. The BPD has the power to draft village regulations and the annual village budget, and the right to monitor the village head. It can even propose to the district government the removal from office of a village head. According to Law No. 22/1999, village governments can now be 'based on origins and local customs' (*asal usul dan adat istiadat*); villages also have the right to reject development projects if they are not accompanied by funds, personnel and infrastructure. The village government is thus no longer oriented upwards; the village head has been made accountable to the villagers and must answer to them at council meetings.

The introduction of the village council has been greeted with enthusiasm by all but some old-style village heads. The BPD has the potential to revolutionise village governance, not only by providing a mechanism for the institution of checks and balances, but also by revising the old paradigm whereby villagers were merely 'objects' of development projects decided upon elsewhere. Now, villagers are beginning to feel that they have both the right and the capacity to exercise democratic authority over public matters affecting their home communities. During 2000 and 2001, elections were held in most of Indonesia's 52,000-odd villages. If each council has an average of 10 members, this means that there are now some 520,000 democratically elected council members who are in a position to act politically. The BPD has thus diversified local politics, allowing many new people to become involved in governing their communities and ensuring that village governments are held accountable.

With the passage of Law No. 22/1999, there is a new sense of self-esteem and pride in the villages of Indonesia, a revival of an everyday form of democratic spirit that was crushed by the New Order government. After having been so firmly under the control of higher authorities for several decades, villages are finally being managed by local populations through the new BPDs. There is a strong sense of local ownership, which is of course a crucial precondition for building trust with higher levels of government. It is truly exciting to travel around the countryside and see how people are getting both involved in and animated about local political issues. In West Sumatra, for instance, the return to a traditional *nagari* structure – a curious mix of Islam, customary law (*adat*), democracy and top-down regulations – has been legalised under Provincial Decree No. 8/2000 (see von Benda-Beckmann and von Benda-Beckmann 2001, 2002). During visits there, I was impressed by the people's enthusiasm and willingness to discuss governance and politics, which a few years earlier would have led to an immediate visit from the local military commander. Although one year is not enough time to measure any real impact in terms of political diversification, the legal framework is now in place for communities to reinvent an open and pluralist grassroots politics.

Village councils are important learning grounds for community-level politics, but their political impact beyond the village is limited since they cannot influence regional policy or build linkages to political parties. A very recent development promises to address this – namely the emergence of networks and associations of village governments and councils. Their main function is to act as a pressure group on behalf of the villages and amplify the voice of villagers in relation to a district or subdistrict government, or even a political party.

One such grouping is the association of village heads formed in the district of Tanggamus in Lampung. In September 2002, 210 of the village heads in the district threatened to step down over the annual accountability report issued by the district head (*bupati*) and its handling by members of parliament.[5] They went to the district parliament (DPRD) and calmly tore off their government symbols in front of legislators and journalists before walking out. The village heads claimed that no economic recovery had been occurring in Tanggamus as reported by the *bupati*, that the government was spending too much money on itself, and that the *bupati* had bribed legislators to approve the accountability report.[6] The *bupati*'s report was approved. However, when a new *bupati* was elected in November 2002, the two favourites – the incumbent and the chair of the DPRD – were both defeated by a surprise candidate. One crucial reason for this was the negative press that both had received following the village heads' action.

Another example comes from northern Lombok, where Sasak villages have formed an Alliance of Indigenous People of North Lombok (Perekat Ombara) (Saragi, Effendi and Suhirman 2002). In July 2000, Perekat Ombara announced that the villages in the association would no longer use the term *kepala desa* for the village head (as had formerly been compulsory) but rather the local term *pemusungan*. The New Order governing bodies (the LMD and LKMD) have been replaced by the more democratic BPD and traditional *adat* institutions. Perekat Ombara has declared that the villages will refuse outside intervention in their affairs; for example, they will no longer take part in the annual state-sponsored competitions among villages in a subdistrict.

At present the Sasak villages of northern Lombok are part of the districts of either East or West Lombok; there is no separate district for the north of the province. The medium-term goal of Perekat Ombara is therefore to have a separate district of North Lombok established. Since the members of the alliance are village heads, they have significant political clout at the local level. But decisions on new districts are made by the Ministry of Home Affairs in Jakarta, so their struggle may be a long (and expensive!) one.

Perekat Ombara's long-term goal is to revive the traditional culture and religion of northern Lombok, Wetu Telu, which is a Sasak-syncretic form of Islam. It has already reinstated some traditional local institutions. For instance, many petty criminal cases that were previously handled by the subdistrict or district

police are now being tried in traditional village courts consisting of *adat* leaders and other prominent individuals in the village. As a popularly supported citizens' forum, Perekat Ombara is a political force to be reckoned with in northern Lombok. It has expanded and diversified the political arena, giving a voice to people that lacked one in the past. With members including several village heads, Perekat Ombara promises to deliver better public policies and restore trust in government.

**Social Movements and Mass Organisations**

There are many ways in which people are reinventing local politics and building institutional linkages with the political sphere. One interesting recent development is attempts by local interest-based movements to build strategic alliances with political parties in order to optimise the new opportunities provided by regional autonomy and democratisation. These involve people who have decided to stand apart from political parties for the present (since they do not trust their 'predatory interests'), but who are nevertheless exerting political force by interacting directly with formal political institutions. Let me provide two brief illustrations.

The Pasundan Federation of Farmers (SPP), a non-government peasant movement, claims to have 200,000 supporters in the districts of Garut, Ciomas and Tasikmalaya in West Java. With its 15,000 members and additional 85,000 supporters in Garut, it asserts that it can deliver sufficient votes to secure 13 of the 45 seats in the Garut parliament. Ahead of the 2004 election, the SPP says that it plans to offer these votes to whichever party can best fulfil its aspirations. It is quite common in European countries for mass-based interest groups to support a particular political party; what is innovative in this case is the very public way in which the SPP is going about it. It is also actively encouraging members to participate in BPD and village head elections, in order to secure its long-term goal of being in a position to exert influence over local politics. Although it is still early days, political leaders in Garut are taking care to maintain good relations with the SPP and its charismatic secretary-general, Agustiana. But this goodwill is not universal. Because it provides a voice for the poor and thus challenges power relations in Garut – and the notion that politics is exclusively for the elite – the SPP faces resistance from the traditional landed elite and, especially, more conservative Islamic groups. The district of Garut has since the 1920s been characterised by conflict between syncretistic (*abangan*) and devout (*santri*) Muslims, and between communists and right-wingers.

The non-government network called Surakarta Marginalised People's Solidarity (Sompis) was established in the town of Surakarta (Solo), Central Java, in 1999. It consists of some 20 associations representing disadvantaged groups

such as pedicab drivers, hawkers, sex workers, parking attendants, disabled people and domestic workers. It claims to have 20,000 supporters.

Sompis has been able to influence the PDI-P-dominated Surakarta municipal council to produce some progressive pro-poor regulations, for example the provision of better pay for parking attendants. Its members were strong supporters of the PDI-P in the lead-up to the 1999 general election, and some of its leading activists maintain close relations with the mayor, who is also from the PDI-P. The short-term advocacy aim of Sompis is to have separate local regulations passed for each of its constituent groups. With technical assistance from local NGOs, it has produced draft regulations and lobbied to have them adopted by the parliament. It also conducts civic education for its members. Sompis is still a marginal force in Surakarta politics, but nevertheless represents an interesting experiment in how ordinary, even marginalised, groups can form alliances and put pressure on the local elite through political means.

## MORE LOCAL POLITICS!

Society can be thought of as a fabric of fine threads keenly interwoven over time. If one thread is destroyed, others begin to unravel. Under the New Order, in which society was moulded by standardisation, political order, consumerism and state intervention, the fabric of social life in Indonesia was damaged. Community leaders were turned into clients of the state. Local institutions were streamlined and co-opted. Local initiatives and the distinct character of communities were destroyed. Indonesia has now set itself the task of weaving a new social fabric. Old damaged threads must be replaced by new, strong ones. It must be Indonesians themselves who decide what these new threads should be made of, what the final pattern should look like and who the weavers will be, but I would like to comment on how they might approach this process.

I believe that it is only through direct political activity at all levels that a new national consensus and social contract can be reached. Even were I to believe in theories of democratic preconditions, I would argue that Indonesia has the necessary qualifications for a democracy: a vibrant civil society, ideological variation, educated citizens and political support from parts of the elite. What is still needed, though, is a realisation by all sectors of society that democratic politics is good; that it is a positive way to jointly manage common resources.

But as I started off by saying, increased participation on its own – without greater downward accountability of officials and the active inclusion of the poor – is insufficient for a strong democracy. It is not enough just to provide venues and invite citizens to participate if the basic power relations governing any form of social interaction are not addressed first, as this simply allows the

new democratic spaces to be captured by the elite. If 'democratic' meetings are just an alternative means for traditional power-holders to find a new way to access power, while the poor and marginalised are too intimidated to speak up, then not much has been gained. We therefore need to look closely at who is involved in village council and citizens' forum meetings, at who controls the agenda, how decisions are reached and who benefits from the decisions that are made. Many international promoters of democracy focus on the system and the rules: elections, constitutions, freedoms. These are important, but only as enabling factors. As I have tried to argue, they will not per se produce a strong democracy or social justice. We thus need to look also at the innovative ways in which people can be mobilised and included in politics – how people and issues are *politicised* (Törnquist 1999: 152).

There are reasons to be pessimistic. These include hostility to the very idea of politics, state interference, rent-seeking behaviour, damage to the social fabric, lack of political skills and elite capture of local politics. But in my view there are many more reasons to be optimistic. We have seen how people are extending their political experience and exercising democratic authority over public matters by taking part in village councils, citizens' forums and pressure groups. Decentralisation is deepening democracy by bringing decision-making closer to the people and producing more 'rooted' public policies. There has been a flowering of new ideas and social actors as people who were denied participation now seek to become involved.

The examples I have given are not isolated ones. All over Indonesia peasant federations, *adat*-based associations, indigenous people's groups, labour unions and other groups are claiming political space for their members. Village councils, citizens' forums, social movements and civil society organisations have mobilised millions of people to become involved in local politics, people who during the New Order were excluded from meaningful participation. This is a great achievement, and lays the foundation for future democratic forms.

It is not the politics as such that is the trouble in Indonesia; it is that state elites are not willing to empower and trust the citizens. I do not believe in the oft-heard notion that people 'are not ready' for this or that (democracy, decentralisation, autonomy, quotas for women in parliament and so on). If anything, it is the elites that are 'not ready' to abolish state patronage and give up their privileged access to power and resources. It is inevitable that in a strong democracy more issues will become politicised than is currently the case – which is good. Issues that should be being debated in public in Indonesia are at present depoliticised and left off the political agenda. In most cases, non-elected 'experts' and bureaucrats end up making decisions. A more politicised environment would allow citizens to gain the authority to decide upon matters of public interest.

The grassroots experiments with councils and forums are proof that citizens

are perfectly capable of managing democracy and local politics, if given the political space and autonomy to do so. The elite (and I am not including the 'bad guys' here, as they would refuse any kind of real democratic consolidation) have much to gain from supporting a democratic decentralisation based on trust and inclusion. For instance, reform-minded bureaucrats and elected officials may find that they receive far more information from below than before, allowing them to carry out their tasks more responsively. They may also come to realise that civil society activists are not just their hardened adversaries, but a route for gaining vital information and popular support. This would entail a move away from the present command-based structure of power and authority to one based on mutual respect and reliance, but the legitimacy of government would be enhanced and popular apathy and alienation reduced. By developing a strong and vital democracy that benefits not the few but the majority, the anti-political legacy of the New Order would slowly abate. I believe that the sub-district head who chairs FM2S and the PDI-P mayor in Surakarta have begun to understand this challenge, as have other members of the elite around the country. There is cause for hope.

To address the risk of elite capture of local politics and the lack of political skills, there should be political education for newly elected members of village councils and citizens' forums, especially historically disadvantaged groups such as women and labourers. Perhaps seats should be reserved in village councils and local parliaments for women and *adat* minorities, as is the case in India, where women and *dalit* have a one-third quota of *panchayati raj* seats. But it is equally important for the state to withdraw from communities so that ordinary citizens can begin to 'unlearn' New Order political practices and start to manage their communities by themselves – in a principled, democratic and pluralist manner. This can only be achieved if state officials begin to believe in citizens' maturity and trust them with the handling of community affairs. Pro-democracy actors, for their part, need to politicise civil society by creating institutional channels for political participation that provide alternatives to today's fragmentation and pragmatism. This could be done in the ways described above: by building strong political foundations at the local level, by establishing people's forums, and by fielding candidates for village council elections.

After all, as I have argued, it is at this everyday level of 'low politics' that we can see signs of a revitalisation of democracy. It is only through the active participation of the people, in popular forums, local councils and other deliberative institutions, that the fabric of Indonesian society can be repaired and woven into a magnificent *geringsing,* the famous Balinese double-*ikat* cloth.

## NOTES

The author works for the Ford Foundation in Jakarta. The views expressed in this chapter are his own.

1 I do not want to essentialise the local here, as if local wisdom and grassroots empowerment alone can provide the answers to Indonesia's many problems. With the many impressive grassroots experiments taking place, there is a risk of becoming overly fascinated with the small and local. Some scholars tend to romanticise the community, for instance in theories of social capital occurring 'in a non-threatening language of trust, networks, reciprocity and associations' (Mohan and Stokke 2000: 255). I want to emphasise that we need to relate local politics to the political economy of global–state–local relations, and carefully analyse contentious issues of power, class, gender and ethnicity as they are played out in the local sphere. However, this is not the place for such a full analysis.

2 The chair of Golkar and speaker of the House of Representatives, Akbar Tanjung, who was recently convicted of channelling millions of government dollars to his own party, repeatedly asked in May and June 2002 that his case not be 'politicised'. (He is currently free on appeal.)

3 The military has adopted a similar anti-political line, arguing that whereas civilians care only about power and vested political interests, their members are motivated by patriotism and the need for national integration. They therefore sees themselves as obligated to counter the *politik* of legislators and policy makers by joining political parties ahead of the 2004 elections. In this view, only the non-partisan and neutral military can save the country from political chaos and disintegration.

4 See Antlöv (1995) for more details on village government under the New Order.

5 See *Kompas* (18, 24 and 26 September 2002); *Jakarta Post* (28 September 2002); and *Tempo* (29 September 2002).

6 In an interesting twist, some commentators accused the village heads of overreacting and politicising the case – again, a good representation of the point I made earlier about depoliticisation and the view that politics is the prerogative of the elite. One commentator argued that the decision of the heads to resign was 'against democracy because they want to force their will' (*Jakarta Post*, 28 September 2002). However, for *Tempo* it demonstrated exemplary morals, in contrast to the lack of popular resistance to the incumbent governor of Jakarta, Sutiyoso, who was re-elected at about the same time.

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# 6 WHAT IS HAPPENING ON THE GROUND? THE PROGRESS OF DECENTRALISATION

*Arellano A. Colongon, Jr.*

Before decentralisation was implemented in Indonesia, there was great concern about its prospects. Many doubted the capability of local governments to manage their own affairs. Civil society organisations were viewed with suspicion by the government. Critics painted a grim scenario, predicting there would be a deterioration in public services and an increase in corruption.

Despite the perceived limitations of the decentralisation laws, implementation went ahead in January 2001. Signals about what was happening on the ground were mixed. The media focused on stories of excessive taxation by local government, with other local initiatives such as the 'one-stop shops' set up to issue licences and permits also getting occasional coverage. The regions were in various states of readiness and many of the 'preconditions' for decentralisation had not been met. As decentralisation proceeded, it became clear that the central government needed a mechanism to find out what was actually happening on the ground. To fill this need, in July 2001 the Asia Foundation developed an independent monitoring program called the Indonesia Rapid Decentralisation Appraisal (IRDA).[1] The aim was to provide systematic and objective feedback to government and other key actors on the progress of decentralisation, within a short time frame of six to eight weeks.

Using data from the two appraisals already conducted, in this chapter I describe the progress of decentralisation and evaluate it using criteria derived from comparative literature on decentralisation. First I provide some background on the conceptual links between democracy, governance and decentralisation, and formulate a framework for the discussion. I then tackle the research results to describe how local governments are coping with the changes arising from decentralisation. Finally, I provide a summary and evaluation of progress so far.

I argue that the conditions for successful decentralisation are beginning to

emerge in Indonesia, 18 months into its implementation. First, there is an evolving policy framework capable of ensuring that the financing and fiscal authority of local government matches its functions and responsibility to provide services. Second, local governments have reorganised their administrative structures to become more efficient in the delivery of public services while at the same time absorbing the large number of personnel devolved to them. Third, local governments are creating opportunities for dialogue with citizens, reflecting a growing consciousness about the need to inform citizens about new policies and involve them in governance. And finally, the division of labour between the central government and the regions is evolving within the present policy environment, although there is a need for supporting regulations to clarify the provisions of the law on the roles of the different levels of government.

## BACKGROUND

### Democracy, Governance and Decentralisation

Decentralisation is defined as

> the transfer of responsibility for planning, management and resource raising and allocation from the central government and its agencies to: (a) field units of central government ministries or agencies; (b) subordinate units or levels of government; (c) semi autonomous public authorities or corporations; (d) area wide, regional or functional authorities; or (e) non-governmental, private, or voluntary organisation (Cheema, Rondinelli and Nellis 1983, cited in UNDP 1998: 1).

Interest in decentralisation as a government policy arose in the 1950s and 1960s

> when British and French colonial administrations prepared colonies for independence by devolving responsibilities for certain programs to local authorities. In the 1980s, decentralisation came to the forefront of the development agenda alongside the renewed global emphasis on governance and human-centred approaches to human development (WDR 2000, cited in Work 2002: 1).

In 1995, all but 12 of the 75 developing countries with populations of over 5 million had initiated some form of transfer of power to the local government level (World Bank 1995, cited in Panganiban 1999: 1).[2] Two years later, 63 of the 75 developing countries were credited with having attempted some form of decentralisation (Brillantes and Cuacho 2002). In recent years, governments have continued to pursue decentralisation as a tool to achieve good governance and address poverty and inequality.

Studies of democratisation have traditionally focused on elections and

public opinion. In a democracy, we expect election results to reflect the will of the electorate, and to find congruence between public opinion and policy. Other indicators of system responsiveness identified by democratic theory include cooperative and collaborative activities involving government and civil society. Thus 'popular participation in the process of governance between elections' is a critical element in understanding democracy in practice (Rood 1998: 17).

This is why demands for democratic reform are tied to decentralisation and governance. Decentralisation, by definition, favours participatory democracy. There is 'involvement of the private sector in service delivery, the redesigning of the electoral process, the engagement of the community in the political process, and the constitution of local legislative bodies' (Brillantes and Cuacho 2002: 1).

The United Nations Development Program (UNDP) uses the term 'decentralising governance' to emphasise that

> decentralization of the public sector, in itself, will not be effective unless support is also provided to strengthen local governance, involving the public, private and civil sectors. And, in turn, the achievement of good governance at the local level is also not possible without the transfer of responsibilities and capacities through decentralization. The term 'decentralized governance' defines the systematic and harmonious interrelationship resulting from the balancing of power and responsibilities between central governments and other levels of government and non-governmental actors, and the capacity of local bodies to carry out their decentralized responsibilities using participatory mechanisms (UNDP 1998: 6).

Democracy is best observed at the local level, where the key actors – local governments, citizens and the private sector – engage in cooperative activities to improve local governance. This requires the transfer of responsibilities to the local level through some form of decentralisation.[3]

## Principles of Decentralisation and Good Governance

Governments decentralise for many reasons, such as to improve services or to promote greater participation in governance. The reasons may also be more political; in Indonesia, for example, they have included pre-empting separatist tendencies in the provinces (BPS, Bappenas and UNDP 2001: 44).

Brillantes and Cuacho (2002: 1) cite three main factors identified by the Asian Development Bank for the push towards decentralisation in the Asian region. First, globalisation has increased civic consciousness and created more opportunities for participation in governance. Second, economic and social change over the past 20 years, in the form of liberalisation, privatisation and market reform, has placed new demands on central governments, prompting them to reassess their capability to deliver services and meet the growing

demand for participation in governance. Finally, the tendency for donors to link effective governance with local participation and autonomy has influenced governments.

Many countries in Latin America, the Caribbean, Africa and other parts of the world have sought to decentralise. In Asia, decentralisation policies are being pursued in Bangladesh, Cambodia, India, Laos, Malaysia, Mongolia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam, in addition of course to Indonesia. The aim is to promote good governance – itself a concept that is closely tied to sustainable human development in developing countries. Kofi Anan, secretary-general of the United Nations, has said that 'Good governance is perhaps the single most important factor in eradicating poverty and promoting development' (Work 2002: 2).

A number of studies have focused on the issues arising from decentralisation. In his study of Bolivia, Blair (1997) emphasised those relating to representativeness, inclusiveness, civil society and the threat of limits to – or even reverses of – the decentralisation process. He argued that success in decentralising rests upon political will, the pre-existing structure to be incorporated into the new system, donor efforts planned in parallel with the host country's reform program, and media support to promote effective civic education (Blair 1997: 3).

Also writing about Latin America, Peterson (1997) concluded that decentralisation could strengthen democratic participation in government and improve the quality and coverage of local public services. He identified the common characteristics among countries that had successfully decentralised as: (1) greater emphasis on practical service delivery, using citizen satisfaction as the measure of success in delivering services; (2) a sustainable division of labour between the national and local governments in which the central government concentrated on strengthening the national economic and fiscal framework while the subnational governments focused on service delivery in collaboration with the private sector; and (3) emphasis on a variety of local experiments to promote citizen participation in governance (Peterson 1997: 31). In his concluding remarks, Peterson cites Putnam's study showing the 'high correlation between effectiveness of institutions in service delivery, citizen trust in these institutions, and citizen participation' (Putnam 1993, cited in Peterson 1997: 32).

Tendler (1997: 14–16) identified the common thread linking the 'good performers' among local governments in Brazil as: (1) government workers' unusual dedication to their jobs; (2) a sense of mission around government programs; (3) workers carrying out a wider variety of tasks than usual with a vision of the public good; (4) a high level of accountability; and (5) activist central and state governments helping to create an environment conducive to better governance.

Volume 1 of the *Sourcebook on Decentralization in Asia* provides a frame-

work for understanding a broad range of decentralisation experiences in Asia (Brillantes and Cuacho 2002). It cites a number of the conditions identified by the World Bank Decentralization Thematic Team for successful decentralisation. First, the decentralisation framework should ensure that the financing and fiscal authority of local government matches its functions and responsibility to deliver services. Second, local communities must be informed about the cost of services, the options for service delivery, and the resources available to them and how they can be accessed. Third, there should be a mechanism whereby the community can express its preferences in a way that is binding on politicians, in order to give citizens a credible incentive to participate. Fourth, a system of accountability based on public and transparent information should be established, to enable the community to monitor and react to the performance of local government, and to give politicians and local officials an incentive to be responsive to community demands. Finally, the instruments of decentralisation – the legal and institutional framework, the service delivery structure and the intergovernmental fiscal system – should be designed to support the above political objectives.

Work (2002), in his paper on worldwide decentralisation experiences, argues that the principles of good governance include respect for human rights, political openness, participation, tolerance, administrative and bureaucratic capacity and efficiency, and creation of an effective partnership to ensure that priorities are based on consensus and that the poor are heard (Work 2002: 2).

**Decentralisation and Governance in Indonesia**

Pointing to the Asian economic crisis in 1997 as the trigger for the decentralisation initiative in Indonesia, Rasyid (2002: 1) has said that 'the then rigid and centralised system ultimately proved itself unable to respond to the financial and economic crisis that attacked Indonesia from July 1997'. He argued further that

> our excessively centralized administration had taken most of our time and energy to deal with domestic and local affairs. This was the reason why the central government failed to respond to the crisis in creative ways. … The regional and local administrations which as a matter of fact only had very limited authorities, and had been for a long period of time put under the patronage of the central government, even could not be expected at all to help manage the impact of the crises in their own regions and territories' (Rasyid 2002: 1–2).

Law No. 22/1999 on regional governance and Law No. 25/1999 on the financial balance between the central and regional governments are significant statutes providing the legal framework for decentralisation in Indonesia. According to Law No. 22/1999, the '11 areas of governance' devolved to local government include public works, health, education and culture, agriculture,

transportation, trade and industry, investment, the environment, land affairs, cooperatives and labour. The implementing regulation for this law (PP No. 25/2000) sets out the areas of authority of the central and provincial governments in greater detail. Law No. 25/1999, meanwhile, regulates the fiscal balance between the central and regional governments and makes provision for transfers to the regions (see below).[4]

Rapidly, and with little lead time for the transition, Indonesia embarked on the implementation of decentralisation in January 2001. Regions were in varying states of preparedness, and the national guidelines for implementation were not fully formulated. Some provisions of the law were vague, and the dissemination of laws and policies was incomplete. Not all of the preconditions for decentralisation had been met. The comprehensive monitoring system the government had planned to establish was not in place, and yet systematic and objective data were needed to keep track of developments. This was the context in which the independent monitoring program called IRDA was developed and implemented.

To date there have been two IRDA appraisals, the first conducted from December 2001 to February 2002 and the second from June to August 2002. By the time the program ends in 2004, five will have been conducted. The IRDA program uses the 'rapid appraisal' method of investigation, a form of qualitative research that is considered to be systematic and rigorous while also being fast and flexible. This method was chosen because it helps the researcher to understand and explain systems and processes from an insider's or local's point of view. It was complemented by other data-gathering techniques such as focus group discussions and key informant interviews. Rather than producing statistical descriptions, the appraisals provide a rich description of the diversity of experiences in a given setting. Focusing on the perspective of local governments and communities, they describe decentralisation as it is happening on the ground.

The first IRDA appraisal covered 12 *kota* (municipalities) and *kabupaten* (districts), plus the Special Capital Region of Jakarta (DKI Jakarta) as a special case. The second covered 30 *kota* and *kabupaten* across the archipelago.[5] The sites were selected for the wide regional variation they represented in terms of human development index (HDI) scores, gross regional domestic product, natural resources, geographic location and population distribution. Universities and NGOs that were familiar with the districts and with decentralisation issues gathered data in the field. Lead researchers then analysed these data – supplementing them with qualitative and quantitative information where available and relevant – to arrive at a consensus on the current state of decentralisation.

The following discussion draws on data from both the first and second appraisals to describe the progress of decentralisation on the ground since January 2001.

## RESULTS AND DISCUSSION

The vast literature on decentralisation provides a range of indicators for evaluating the sustainability and success of a decentralisation project. The ultimate test of decentralisation as a tool for political reform is its impact on the quality of life of citizens, using precise indicators such as those identified in the UNDP's Millennium Development Goals for 2015.[6] For 'beginners' like Indonesia, it is appropriate to start by investigating the changes in the internal processes of local governments as they attempt to carry out their new functions. While evidence of improvements in community participation and welfare will be the best medium and long-term measure of success, the early stages of implementation warrant monitoring to show how local governments are changing in form.

Drawing on the literature, I focus on four elements that can be used to describe and evaluate the progress of decentralisation in its early stages of implementation in Indonesia. These are: the financing of decentralisation and the fiscal powers of local government; bureaucratic capacity and efficiency; citizen participation; and the division of labour between the central and local governments along with its enabling framework.

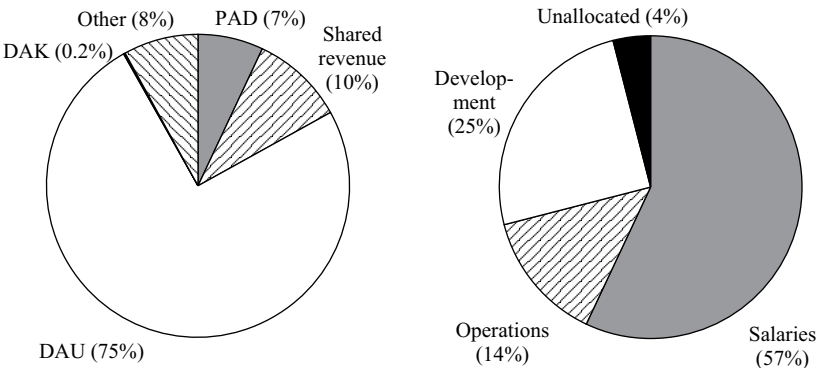
### Local Fiscal Management and the Budget

Law No. 25/1999 designates four sources of local government revenue: the central government's Equalisation Fund, from which transfers are made to the regions; locally generated taxes and user charges (PAD); regional loans; and other income.

The components of the Equalisation Fund are the General Allocation Fund (DAU), the Special Allocation Fund (DAK) and shared revenue derived mainly from the exploitation of natural resources (forests, mining, fisheries, oil and gas). At the 22 IRDA sites for which budget data were reported, the DAU accounted on average for about 75 per cent of the local budget (Figure 6.1). In resource-poor areas such as the districts of Kupang in East Nusa Tenggara and Malang in East Java, the proportion was higher, at over 90 per cent. In resource-rich areas such as the municipality of Dumai in Riau it made up less than 50 per cent of the budget, with the region's share in natural resources (oil and gas) contributing substantially to total revenue.

Local governments are expanding the scope of their taxes and *retribusi* (user charges) to increase PAD revenue, which now accounts on average for 7 per cent of total local revenue.[7] Some of these taxes and fees are perceived as burdensome and unfair. Following a review of local regulations by the central government (through the Ministry of Home Affairs), several of these charges were revoked, including the user charge on birds' nests (harvested as a delicacy) in

*Figure 6.1 Local Government Sources of Revenue and Main Items of Expenditure, 2002*[a]




DAU: General Allocation Fund; DAK: Special Allocation Fund; PAD: locally derived revenue.

a Covers the 22 sites that provided information on the local budget for the IRDA appraisals.

*Source*: Asia Foundation (2002a, 2002b).

the district of Kebumen, on the transportation of palm and plantation products in the district of Sanggau, and on cattle registration and interisland goods transportation in the district of Sumbawa.

The largest portion of the local budget is allocated to salaries, which account for 57 per cent of the budget (Figure 6.1). The next largest slice (25 per cent) goes to development expenses, principally to carry out obligations under the 11 areas of governance devolved to local government.

Despite their limited financial resources, local governments are maintaining their level of expenditure on services and, in some sectors, increasing it (Table 6.1). However, expenditure still falls short of the official targets, namely the new constitutional provision to allocate 30 per cent of the budget to education, and the agreement between local governments and the Ministry of Health to allocate 15 per cent of the budget to health.

The fiscal arrangements between the central and local governments continue to evolve to ensure that the fiscal powers and resources of local governments match their responsibilities. Short-term problems, such as the tendency of local governments to tax excessively, are being addressed through automatic reviews of local regulations by the central government. But along with closing off avenues to generate revenue by revoking regulations, the central govern-

*Table 6.1 Local Government Budget Allocated to Health and Education, 2001–02 (%)* [a]

| | 2001 | 2002 |
|---|---|---|
| Education | 2.55 | 3.04 |
| Health | 1.71 | 1.99 |

a Covers the 22 sites that provided information on the local budget for the IRDA appraisals.

*Source*: Asia Foundation (2002a, 2002b).

ment also needs to assist local governments to pursue the other options available to them to increase their PAD revenue.

A recent preliminary assessment of fiscal decentralisation in Indonesia concludes that

> the central government [has] adopted a flexible fiscal arrangement … [T]his has successfully secured local governments' ability to finance their routine expenditure. This contributed significantly in preventing [any] major breakdown in public service deliveries during the transitional period (Suharyo 2002: 38).

**Bureaucratic Capacity and Efficiency**

Following the devolution of functions and the transfer of many government personnel from the central to the local level of government, the number of local departments (*dinas*) has generally decreased as a result of the merger of units, while the number of new agencies (*badan*) and offices (*kantor*) has increased.

The rationale for establishing *dinas*, *badan* and *kantor* was to improve the capacity of local government to deliver services and to strengthen coordination among government institutions. Local governments have both merged offices to rationalise staff and created new offices to absorb the additional personnel assigned to them. The administrative structures that are being put in place reflect local governments' decisions as to how best they can carry out their new functions.

In dealing with issues of bureaucratic capacity, local governments are constrained by the limited skills and capability of personnel. When civil servants were transferred from central government agencies to local governments, the latter had no choice but to absorb them. Excess staff could not be dismissed. This problem was aggravated by the limited interregional mobility of public

servants. Staff could not easily be absorbed elsewhere because of the preference for employees who were 'native' to the district or province. Appointments to certain career positions in the civil service continue to be influenced by political considerations, further aggravating the shortage of technical skills when these new recruits lack the required capabilities. Moreover, a lack of clear job descriptions with specified minimum qualifications for some positions has created opportunities for favouritism and non-transparency in the appointment of officials.

It should be noted, however, that local governments have made considerable efforts to improve the capability of staff by providing training and education programs and offering placements in graduate and undergraduate programs. The heads of *dinas* are expected to have completed a civil service leadership training course. There is also a move towards using 'fit and proper' tests or a strict merit system in the selection of key senior officials. In general, employees are encouraged to gain higher degrees, although the opportunities for them to do so are limited. But because devolution is creating fierce competition, civil servants are eager to upgrade their qualifications even if this means having to pay for further education themselves.

All local governments covered by the IRDA study had reorganised their bureaucratic structures to reflect the expanded range of services they were required to deliver. While varying in form, there was a corresponding department or office responsible for carrying out each of the areas of governance set out in Law No. 22/1999. Administrative units were also being created at the subdistrict (*kecamatan*) level to provide more access points for citizens.

Local governments claim that they have been able at least to maintain pre-devolution levels of services. While most of their current activities are a continuation of past ones, some have introduced new initiatives – such as the provision of mobile pap smear units in the district of Gianyar, and the establishment of a Women's Crisis Centre along with one-stop shops for licences and permits in the district of Sidoarjo. Local governments are also increasingly aware of the need to comply with the Minimum Service Standards (SPM) for public services developed by the central government. While there is no consistent understanding about what these standards are and how they should be applied, some local governments are already formulating their own SPM, based on central government decrees and adjusted for local conditions.

Recently, a number of local governments have begun evaluating the performance of the new administrative structures. In the municipality of Salatiga and the districts of Indramayu, Takalar, Ogan Komering Ilir and Sumbawa, these reviews have found a lack of clarity in how each of the 11 devolved areas of governance is designated and defined in each of the *dina*s, resulting in some overlap between them.

The performance of local government in the area of public services will ulti-

mately need to be tested in terms of improvements in the quality of life of citizens, possibly measured through an opinion poll. It is too early to assess the impact of the changes in local government given that implementation has been under way for less than two years. Nevertheless, the reorganisation of regional administration shows that local governments are taking their responsibility to deliver services in their areas of governance seriously. Based on their attempts to deliver better public services and improve the quality of personnel, a reasonable level of bureaucratic capacity and efficiency can be said to be emerging among local governments. These early efforts can be viewed as part of the 'initiation' and 'installation' stages of decentralisation identified by Nurbaya (2002).[8]

**Citizens' Participation**

Citizens' involvement in governance encompasses various factors, such as the openness of government, inclusiveness and tolerance, keeping citizens informed, and mechanisms for transparency to encourage government accountability and responsiveness. In the IRDA research sites, we found growing indications of a major shift in the attitude of citizens and leaders alike regarding the role of citizens in local governance.

The change in attitude of leaders can be seen in the initiatives taken so far. For example, in the district of Bandung, the district head (*bupati*) has conducted weekly dialogues with citizens at the village level over the past year. In the two months before the *bupati*'s annual accountability report was due, some members of the local parliament invited feedback from the public on his performance. The local parliament in the district of Indramayu, in one instance, invited some 30 NGOs to a meeting to discuss a local regulation (although only three actually attended). In the municipality of Semarang, the mayor has initiated a 'city forum' as well as taking regular 'morning walks' to talk with the citizens.

Civil society groups feel that it is now easier to gain access to public documents. Initiatives by local governments to keep citizens informed include the use of the local media to publicise local budgets (as in the municipality of Dumai) or the establishment of websites where citizens can access information on the latest regulations (as in the district of Sidoarjo).

One of the most significant changes has been the way in which ordinary citizens have begun to engage in dialogues, meetings and discussions on issues affecting the community. There are now many more public forums providing a means for citizens to air their grievances, settle disputes, monitor the activities of local government and demand better services. The observation that village-level meetings attract the most active attendance coincides with our exploratory survey data showing that citizens feel most effective at the village level.

While local governments are now generally more open to dialogue with citizens, women's participation, for example, remains unacceptably low. Also, it remains to be seen if these early signs of participation and dialogue will mature into institutionalised venues offering genuine linkages between citizens and government – that is, whether consultations and meetings with citizens will actually result in a policy agenda for which officials can be held accountable.

Law No. 22/1999 establishes the Regional People's Representative Council (DPRD) as the legislative arm of local government. The electorate votes for political parties; the parties choose representatives to the DPRD based on their share of the vote; and representatives in turn elect the executive. Thus citizens do not directly elect their political leaders, who therefore lack the incentive to be genuinely responsive to the electorate. Whereas the *bupati* is accountable to the local parliament via the annual accountability report, members of the local parliament lack even this constraint. They are commonly perceived to represent the interests of their parties rather than those of the people. A national survey supports this observation: the International Foundation for Election Systems found that 37 per cent of people thought that political parties put political interests first, compared with only 27 per cent who believed they were interested in encouraging popular participation (IFES 2002: 20). Some changes in the election rules may therefore be necessary to achieve a higher level of accountability and responsiveness from public officials.

A few local governments, however, have made real efforts to close the gap between citizens and government. For example, the municipality of Pontianak's proposed legislation on institutions of social empowerment (*lembaga pemberdayaan masyarakat*) is intended to provide formalised venues for popular participation. The municipality of Gorontalo has also passed legislation requiring the local government to actively publicise its regulations.

Although Law No. 22/1999 does not specify any particular mechanism for popular participation, some are nevertheless emerging. The notion that ordinary citizens need to participate has encouraged a more open attitude on the part of public officials and raised citizens' expectation of closer involvement with government. Thus some of the elements necessary for real transparency and public accountability are emerging.

**Division of Labour**

Given the lack of clarity in the roles of the different levels of government, the division of labour between the central and local government, as well as between local governments, remains in flux. There is debate as to whether the present policy environment is sufficient for the different levels of government (including the provincial level) to reach a consensus on what the role of each should be.

As discussed earlier, most local governments are financially dependent on the central government; thus negotiations for fund transfers are an important arena for defining the central–regional relationship. As discussed earlier, because local governments are so dependent on the DAU, there is considerable potential for the central government to use this as leverage.

The central government also has the power to revoke local regulations and formulate the SPM. If the central government limits its role to revoking local government regulations without providing advice on how to use legislation as a development tool, it risks being viewed simply as interventionist. And the SPM guidelines on minimum public service standards need to be communicated more effectively to local governments, many of whom are still unclear about what they are and how they should be applied.

At the district level, local governments are developing initiatives aimed at coordinating the handling of some issues. Their mutual interest in improving public service delivery and increasing revenue has motivated them to help each other. Contiguous areas have formed local associations to share information and discuss approaches to common problems. The provinces, however, remain at a loss as to what their substantive role in a decentralised set-up should be. They feel that more guidelines are needed to clarify the roles of the different vertical levels of local government.

It is apparent that the relationship between the central and local governments in the present policy environment is an emerging and evolving one. There can be no doubt that district governments in particular are enjoying immensely their new sense of self-reliance. But decentralisation also includes the ability to recognise local weaknesses and tap into the strengths of other levels of government, both provincial and central. As the above examples show, central government agencies need to reposition themselves to act as facilitators and supervisors to local government, and local governments need to relate themselves vertically in a decentralised setting. The measure of an appropriate intergovernmental relationship, again, will be whether the objectives of decentralisation are eventually met.

## CONCLUSION

Decentralisation in Indonesia is still in its early stages. Notwithstanding the challenges, the elements for sustainable and successful decentralisation are emerging, less than two years into implementation.

First, fiscal arrangements are evolving to ensure that the fiscal powers and resources of local governments match their responsibilities. The central and local governments were able to cope during the transition period. But the sus-

tainability of fiscal arrangements will need closer attention, with both central and local governments participating actively in shaping relevant policies.

Second, local bureaucracies have been restructured and reorganised, and personnel are being equipped to provide improved public services. Based on the broad description that has been given of initiatives taken by local governments in these areas, it can be said that bureaucratic capacity is emerging. But the challenge remains of further rationalising local administrations and utilising personnel whose skills may not match the needs of the local bureaucracy.

Third, with the implementation of decentralisation, citizens are now seeing government with a human face. Various forms of popular participation are emerging, but they have yet to mature into a mechanism that will link citizens' aspirations with policy decisions at the local parliamentary and executive level.

And finally, the relationship between the central and local governments continues to evolve in the present policy environment. Both are coping with the challenge of defining their roles and functions in a decentralised set-up. But new supporting and implementing rules and regulations are needed to further clarify these roles, especially that of the provinces.

To critics, we can say that local governments have demonstrated a basic capability to manage their own affairs. Citizens are ready to act as active partners in local governance and are willing to engage local government. Public services have not broken down. Although corruption remains a problem, we can say at least that there is now a greater chance that public officials will be held accountable. People can demand more transparency in government operations, since citizens are closer to government at the local level.

Given the political turmoil of several years ago that led to the push for decentralisation, the present achievements, though they may seem insignificant to some, indicate that the central government and local governments are able to respond to the challenges of a decentralised system. A stronger political will at both levels to achieve results will facilitate the implementation of decentralisation. Like other decentralising countries, Indonesia sees the promise of decentralisation as a tool to address human development problems in the context of its own history and its own strengths.

## NOTES

1 The IRDA program is funded by the United States Agency for International Development (USAID). Neither the Asia Foundation nor USAID bears any responsibility for the interpretations offered in this chapter.

2 A similar remark referring to countries embarking on 'some form of fiscal decentralisation' can be found in Work (2002: 8). It is attributed to Robert Ebel.

3 While both developed and developing countries are pursuing decentralisation poli-

cies, discussion in this chapter is limited to the context of developing countries, specifically in Latin America and Asia. For a discussion of decentralisation in Africa, see Wunch (2002).

4 The term 'regional governments' is used interchangeably with 'local governments' to refer to both levels of local government in Indonesia: the provinces, and the *kota* (municipalities) and *kabupaten* (districts). However, this research is primarily concerned with *kota* and *kabupaten* (collectively called districts) as the unit of analysis, because it is to them that most powers were devolved.

5 The 12 IRDA I sites were: Kabupaten Deli Serdang (North Sumatra), Kabupaten Bandung and Kabupaten Indramayu (West Java), Kota Salatiga and Kota Semarang (Central Java), Kabupaten Bantul (DKI Yogyakarta), Kabupaten Sidoarjo (East Java), Kabupaten Gianyar (Bali), Kabupaten Lombok Barat (West Nusa Tenggara), Kota Pontianak (West Kalimantan), Kabupaten Minahasa (North Sulawesi), Kota Jayapura (Papua) and DKI Jakarta.

DKI Jakarta was removed from the second appraisal to focus on the *kota* and *kabupaten*. The additional 18 IRDA II sites were: Kota Banda Aceh (Nanggroe Aceh Darussalam), Kota Dumai (Riau), Kabupaten Solok (West Sumatra), Kabupaten Ogan Komering Ilir (South Sumatra), Kota Metro (Lampung), Kabupaten Serang (Banten), Kabupaten Sumba Timur (East Nusa Tenggara), Kabupaten Kebumen (Central Java), Kabupaten Malang (East Java), Kabupaten Sumbawa (West Nusa Tenggara), Kabupaten Kupang (East Nusa Tenggara), Kabupaten Sanggau (West Kalimantan), Kabupaten Kutai Kertanegara (East Kalimantan), Kabupaten Banjar (South Kalimantan), Kabupaten Gorontalo (Gorontalo), Kabupaten Bone and Kabupaten Takalar (South Sulawesi) and Kabupaten Manokwari (Papua).

6 The UNDP's goals for 2015 include halving income-poverty and hunger, achieving universal education and gender equality, reducing the mortality of children under the age of five by two-thirds, reducing maternal mortality and the spread of HIV/AIDS, and halving the proportion of people without access to water (Work 2002: 2).

7 In the IRDA areas, taxes were typically imposed on hotels and restaurants, motor vehicles, gravel and sand mining, billboards and street lighting. *Retribusi* were placed on business and building licences, parking, health services, market stalls, bus stations, house and warehouse rentals, forest products, shipping, transport franchises, map printing, animal slaughtering and water services.

8 Dr Nurbaya is the secretary-general of the Ministry of Home Affairs. Her paper presents a framework of 'expectation' for the decentralisation process in 2000–07. The first year, 2001, is the *inisiasi* stage, 2002–03 is the *instalasi* stage, 2004–07 is the *konsolidasi* stage and 2007 is the *stabilisasi* stage.

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# 7 NEW RULES, OLD STRUCTURES AND THE LIMITS OF DEMOCRATIC DECENTRALISATION

*Michael S. Malley*

Among the many remarkable powers that Indonesia's central government surrendered as part of its decentralisation policy was the right to choose district heads (*bupati*) and mayors. With the exception of a two-year period during the late 1950s, these officials had served since colonial times as the central government's all-powerful regional representatives. In one stroke, the new law on regional government turned this historical pattern upside-down. As a result, regional chief executives are no longer civil servants accountable to the national government, but local politicians answerable to regional legislators and the electorates they represent.

By increasing the scope for public participation in government and making local officials accountable to the people they serve, the 1999 law on regional government not only enhanced the autonomy of local governments from Jakarta but democratised them too. In this way, the law reflects an emerging consensus among advocates of regional autonomy that decentralisation must be democratic if it is to be successful. But democratisation is no less likely to encounter obstacles at the local level than at the national level. Indeed, sources as diverse as the eighteenth-century *Federalist Papers* and contemporary public choice theory suggest that 'the lower the level of government, the greater is the extent of capture by vested interests' (Bardhan and Mookherjee 2000: 135).

Anecdotal evidence strongly suggests that Indonesia's decentralisation is producing local governments that are more likely to be captured by elites than held accountable by the general public. Allegations of vote buying mar the election of nearly every governor, *bupati* and mayor. However, systematic data about decentralisation's political impact in Indonesia are lacking, and the theoretical literature on the issue of government capture is weak. In both cases, further empirical research is needed. Towards that end, this chapter reviews key theoretical perspectives on the balance between public accountability and elite

capture of local government; summarises Indonesia's experience with centralised management of local government; and reports the results of a sustained effort to document the outcome of a large number of regional chief executive elections. The data tend to show that the old political elite has reconsolidated its power despite the introduction of new political rules. The reasons are found in the weakness of newly created institutions and the strength of old social forces.

## DEMOCRATIC DECENTRALISATION AND THE RISK OF 'CAPTURE'

Like the better known 'third wave' of democratisation (Huntington 1991), a decentralising trend began in Europe in the 1970s (Goldsmith and Newton 1988) and has touched nearly all parts of the world since then. By the early 1990s, most developing and former socialist countries had 'embarked on some form of transfer of political power to local units of government' (Dillinger 1994: 8).[1] The failure of state-led approaches to development in the Second and Third Worlds, and the crisis of the welfare state in the First, produced a worldwide consensus that highly centralised decision-making processes are inefficient, and tend to retard economic development and diminish social welfare.

Two schools of thought, sometimes described as the 'pragmatic approach' and the 'political approach', provide rationales for decentralisation (Schönwalder 1997). To most readers, the pragmatic one is probably more familiar since it underpins most international donor assistance.[2] It draws heavily on the theory of fiscal federalism (Tiebout 1956; Oates 1972, 1999) and enjoys strong support among economists and specialists in public administration. According to its proponents, decentralisation is a strategy to increase the efficiency of service delivery. Quite plausibly, they argue that people's interests and needs vary from one part of a country to another; that local officials are more likely to know what people want than are distant national government officials; and that local governments can tailor the services they offer to local needs, while national governments tend to dispense uniform services regardless of regional variation in public needs and wants. This approach tends to emphasise the need to improve local governments' technical and administrative capacity to design and implement programs.

Advocates of the political approach consider decentralisation 'a natural and indispensable counterpart to democracy' (Nzouankeu 1994: 214). The principal goal of decentralisation, in their view, is not increased efficiency, but broader opportunities for public participation. They accept the pragmatists' argument that autonomous local governments are able to deliver many services more efficiently than a centralised national government can, but they complain that the

pragmatists usually present 'decentralisation ... in the technical language of administrative efficiency or constitutional principles, whereas they actually represent political objectives that are rarely made explicit' (Souza 1996: 535). This tends to divert attention from issues of political power and the conflicts that inevitably arise when decentralisation changes the distribution of that power.

Despite their differences, these two approaches have one important aspect in common: both regard popular participation in local government as important. This shared view forms the foundation of an emerging consensus that successful decentralisation depends on the democratisation of local government (Blair 2000; Heller 2001; Manor 1999). The argument, in essence, is that local governments cannot know the public's needs and interests without input from the people they govern. The problem is that these officials may choose not to fulfil the public's needs or serve its interests unless mechanisms are in place that make them aware of what the public wants and compel them to deliver satisfactory services. In other words, creating political institutions that facilitate participation and accountability, usually through democratic elections, is just as important as enhancing the technical and administrative capacity of local bureaucracies. Indeed, it is critical to achieving the benefits that the pragmatists expect decentralisation to yield. As Agrawal and Ribot have argued, 'It is only when constituents come to exercise accountability as a countervailing power that decentralisation is likely to be effective' (1999: 478).

Another common aspect of these approaches is also their greatest source of weakness. Both assume that moving government closer to the people will have generally positive effects. The pragmatists assume that voters are more capable of monitoring local than national government affairs, making it easier to hold local governments accountable than national ones. And proponents of the political approach assume that popular participation is easier and more effective at lower than higher levels of government. Yet this may not always be the case. On the one hand, there are good reasons to think that lower levels of government are more susceptible to capture by elite interests than higher ones. On the other, national governments, even democratic ones, may seek to limit local autonomy in order to assert their control over subnational governments.

To identify the factors that make local governments in a democracy more vulnerable to capture by vested interests than national ones, Bardhan and Mookherjee (2000) turned to theories of voting behaviour. They suggest that capture is more likely where effective electoral competition is lacking, elite interest groups are more cohesive, and the average level of political awareness among voters is low. They hypothesise that elites may be able to organise more cohesively at the local level because their interests are more homogeneous and the costs of information and organisation are lower than is true nationally. In addition, voters may be less well informed about the behaviour of local politi-

cians if the mass media covers local affairs less thoroughly than it does national affairs. Under this condition, citizens would be able to monitor their politicians' behaviour less effectively at the local level, which would diminish their ability to hold those politicians accountable, and increase the risk of elite capture.

However, they found that these factors combine in unpredictable ways, making it impossible to predict when local governments are more vulnerable to capture than national ones. In general, they find that the probability of capture 'increases with illiteracy, poverty, and inequality' because these conditions are correlated with lower levels of political awareness among voters (p. 137). But when other factors are considered, they find that 'the net effect is theoretically ambiguous', which leads them to suggest that 'the extent of relative capture may be context-specific and needs to be assessed empirically' (p. 135). On the basis of a wide-ranging literature review, other scholars agree with Bardhan and Mookherjee that 'generalisations on the basis of theory alone are hazardous', and contend that 'the empirical literature on the matter is also far from settled' (Conning and Kevane 2002).

Even if local governments avoid capture by vested interests, they often must contend with national politicians who seek to erode regional autonomy in order to enhance their own power. Following their redemocratisation in the 1980s, Argentina and the Philippines implemented decentralisation policies. However, in both countries, national political leaders soon discovered that decentralisation threatened their own electoral interests. In response, they limited the authority of local governments 'in ways that compromised the goals of transparency and accountability by increasing the complexity of relations between the national and sub-national governments' (Eaton 2001: 124).

The national government's capacity to limit the pace and scope of decentralisation depends on its leverage over subnational governments. Apart from any legal or constitutional advantages it may have, this leverage is a function mainly of 'the political sensitivity of central level politicians to sub-national political outcomes' which in turn rests on 'the structure of political parties' (Willis, Garman and Haggard 1999: 9).[3] Based on research in Latin America, these researchers found that the more centralised the political party structure is, the stronger the national government's bargaining position vis-à-vis subnational governments.

The factors that Bardhan and Mookherjee identify can be observed in many parts of Indonesia. And even though Indonesian political parties often appear weak, they are highly centralised, in the sense that national party leaders have the authority to dismiss regional party leaders and control the nomination of party members to the national legislature. Together, these conditions suggest the need to examine empirically the extent to which Indonesia's democratic decentralisation has succeeded.

## CAPTURED BY, AND ACCOUNTABLE TO, JAKARTA

For several decades, non-democratic governments in Jakarta have sought to erode and limit local influence over local government rather than enhance the capacity of citizens to participate in local government and hold it accountable. At the core of these efforts has been a determined effort to preserve and enhance a colonial legacy: the subordination of local government and politics to national administration. The human faces of this relationship were those of the governors, *bupati* and mayors whom Jakarta chose to represent and defend its interests in the regions.

During the colonial era, the Dutch created a colony-wide civil service through which it governed the Indies. Despite modest efforts in the late colonial era to create local government councils, administrative institutions remained stronger than democratic ones, and regional administrators remained accountable to unelected officials in the colony's capital (Batavia), not the elected representatives of regional societies (Angelino 1931: 47–129; Furnivall 1944: 257–302). Consequently, when Indonesia achieved independence in 1949, one of the main problems its leaders faced was 'how far a local government system should be kept separate from, integrated with, or used to replace the centre's own territorial administration' (Legge 1961: 18).

During the 1950s, the country's main political parties attempted to craft a system of representative regional government that would afford local control over regional administrators without eliminating the central government's capacity to implement policies throughout the country. In practice, the chief questions were whether unelected legislatures formed during the revolution should acquire the right to elect regional chief executives, and whether such officials would replace the centrally appointed bureaucrats in each region or serve alongside them. For most of the first decade of independence, the central government attempted to strike a balance by appointing the top administrative officer in a region to lead the newly formed regional government. In other words, the same official played two roles: his traditional role as representative of the central government in the region, and a new role as chief regional politician. However, since these officials remained accountable to Jakarta, their new role remained subordinate to the old.

In 1957 parliament passed a law that succeeded for a brief time in democratising local government by separating the administrative and political leadership positions. Under this system, the national government continued to appoint administrative officials while local legislatures began to elect political chief executives. Rather quickly, the elected officials began to erode the bureaucracy's control over regional politics.

Efforts to democratise regional governance were cut short in 1959 when a handful of army commanders in Sumatra and Sulawesi mounted rebellions

against Jakarta. These were easily defeated, but in the process President Sukarno embarked on a path of recentralisation. After declaring martial law in 1959, he recombined the top regional political and administrative posts and reasserted the president's right to fill them with people of his own choosing. Moreover, for the first time, he opened these positions to members of the armed forces, whose officers soon began to displace not just party politicians but civil service bureaucrats. After taking power in the late 1960s, President Soeharto accelerated this trend. During his first decade in power, army generals increased their share of provincial governorships from 10 out of 25 (40 per cent) to 21 out of 27 (78 per cent). A similar trend occurred at the district level, and by the mid-1970s colonels and lieutenant-colonels received nearly three-quarters of all *bupati* and mayoral appointments.[4]

Once comfortably in power, Soeharto's New Order regime embedded its centralised system of governance in law. Building on colonial and late Sukarno-era practices, its regional government law (Law No. 5 of 1974) drew a sharp distinction between bottom-up regional government and top-down regional administration. Regional government ostensibly took place within 'autonomous regions', which had their own legislatures, executives and bureaucratic agencies (*dinas*). Regional administration took place within 'administrative regions' whose borders coincided with those of 'autonomous regions'. In practical terms, the critical political dimension of the distinction between autonomous and administrative regions was the concentration of fiscal resources and executive authority within the institutions of regional administration – the branch offices of national ministries (*kanwil*) under the supervision of the regional executive – and consequently under national government control.

The linchpin in this power structure was the dual role that governors, *bupati* and mayors played. Simultaneously, they served as regional political leaders and central administrative representatives in the regions. By placing them atop the institutions of national administration in the regions as well as those of regional government, New Order law and practice endowed them with enormous structural power compared with regional legislatures, whose authority was confined to local government.

To sustain the fiction that these officials were regional politicians as well as national bureaucrats, the New Order established a pseudo-electoral process in which regional legislatures played a formal role in choosing regional executives. Legislators nominated candidates and held an election, but at each step along the way the Ministry of Home Affairs exercised its right to intervene. The ministry recommended candidates it liked, scotched the nomination of those it did not and, in the name of the president, even appointed candidates who failed to win the carefully managed elections that the regional legislatures staged. Although the percentage of victorious candidates from the armed forces declined during the 1980s to about 40 per cent, the others were drawn entirely

from the bureaucracy. Non-bureaucrats, even those who were members of Golkar, were unable to secure appointment to the top post in regional government and administration.

By the early 1990s, central dominance began to arouse local opposition more frequently and directly than during the previous two decades. Across the country, aspiring local leaders turned the normally uneventful process of choosing new regional heads into forums for defining and advancing local interests. The result was a wave of protest and conflict. Serious controversies surrounded the process of choosing new governors in West Sumatra, Southeast Sulawesi and even Jakarta in late 1992, and these were followed by even more remarkable events in Central Kalimantan in 1993 and 1994. When legislators there followed central directives and elected the centre's favoured candidate, massive protests trapped them in their offices and forced the government to send in thousands of troops to restore order. Jakarta eventually agreed to rerun the nomination process, but still managed to force one of its own candidates on the province (Malley 1999).

Hard on the heels of these conflicts came widespread problems at the district level. In early 1994, the central government encountered stiff opposition in places as different from each other as Dairi (North Sumatra), Kutai (East Kalimantan), East Sumba (East Nusa Tenggara), Paniai (Papua) and Viqueque (East Timor) (*Republika*, 17 February 1994). The Minister of Home Affairs, to whose office all regional governments were subordinate, blamed the mounting regional challenges on weak leadership in the regime's political party, Golkar. In Kutai, 17 of the 23 Golkar legislators boycotted the election of a new *bupati* in protest against the minister's decision to scratch their favoured candidate from the list of nominees (*Kompas*, 7 March 1994). Just a month earlier, Golkar legislators in Sintang, West Kalimantan, had created a stir when they gave their votes to a *calon pendamping* (literally, an 'accompanying candidate') rather than the *calon unggul* ('superior candidate'), the person for whom they had been directed to vote by their seniors in Golkar. Most observers agreed that part of the problem lay within Golkar, whose national leaders found it difficult to accommodate the demands of regional party leaders. But they also interpreted rising demands for local control over the appointment of regional chief executives as signs of a new assertiveness in regional politics and as a backlash against excessive political centralisation (*Kompas*, 12 February 1994, 10 March 1994).

Before 1998, it was difficult to know when or even whether the tide had begun to shift against Jakarta. In the 1990s, the central government always managed to overcome local opposition and appoint its own candidate. Regional leaders were able to stall the process and publicise their discontent, but little more. Central administrative power still outweighed regional political power. But quite evidently the situation was vastly different from what it had been in the late 1970s, when the Minister of Home Affairs was able to remove three

governors from office without stating specific reasons or provoking significant regional protest.[5] On the eve of Soeharto's resignation in 1998, the centre had demonstrated that it retained the capacity to repress regional opposition. But no less importantly, regional social forces, often in the shape of local bureaucratic elites, had demonstrated their desire for greater autonomy not just in hot spots like Aceh and East Timor, but in otherwise peaceful regions, too.

## AUTONOMOUS FROM JAKARTA, ACCOUNTABLE TO WHOM?

Whether measured against its own previous efforts or those of other countries, Indonesia's decentralisation policy is widely regarded as a radical one because of the scope and pace of reforms. Because of these changes, regional governments now enjoy greater political, administrative and fiscal autonomy than ever before. However, this success is tempered by a persistent lack of accountability and a vulnerability to elite capture. While the laws themselves were well intentioned, they contributed to these problems by simultaneously removing obstacles to local elites' political ambitions and increasing the value of regional government positions.

The 1999 regional government law nearly eliminated the national government's legal authority to intervene in the process of choosing new governors, *bupati* and mayors. It eliminates the central government's role in nominating and electing *bupati* and mayors, and only requires provincial legislators to 'consult' with the president after nominating candidates for governor. The president, or his or her deputy, is now solely responsible for inaugurating the candidate whom the legislators elect. Given the poor state of law enforcement throughout the country, the lack of national oversight frees legislators to collude with candidates.

As regional autonomy has grown, so have the incentives for local politicians to collude. Decentralisation has not only enabled local legislators to choose their executive, but equipped them with the means to implement and pay for the policies they set. The new regional government law transferred the national government's local administrative offices (*kanwil*) and staff to the district and municipal governments, simultaneously enhancing their capacity and eliminating the principal means through which Jakarta had implemented centrally determined policies and kept tabs on local affairs. In addition, the new law on centre–region fiscal relations guarantees that regional governments will receive specific shares of national revenue in the form of 'block grants', that is, with no strings attached.

These new laws were passed in early 1999 – before the country had held its freest and fairest elections in more than four decades – but included a clause that delayed their implementation until the start of 2001. However, in the wake

of the June 1999 general election, newly elected members of regional legislatures immediately began to implement the law's provisions on the election of regional heads. Under the lame-duck presidency of B.J. Habibie, and subsequently the weak leadership of Abdurrahman Wahid, the national government rarely opposed such local initiatives. Without exception, and despite the fact that it had not yet drawn up the regulations needed to implement the law, the national government conceded this right. As a result, regional heads have been chosen in accordance with the new law since late 1999.

From the beginning, there have been strong indications that regional legislators are using their right to nominate and elect regional heads not to choose the most qualified or politically acceptable leader, but to raise money for themselves. Less than a year after legislatures had begun to implement the law, one of its drafters estimated that the price of victory for a *bupati* candidate had reached at least Rp 1 billion, or more than US$100,000 (*Kompas*, 14 March 2000). More recently, the head of Indonesia Corruption Watch complained that 'the winners are the highest bidders' (Van Zorge Report, 3 April 2002: 30).

These transactions set the stage for further exchanges of financial largesse for political support during a winning candidate's term in office. A study of corruption in three local governments in East Java found that the cost of a single legislator's vote in the 2000 mayoral election there was Rp 1 billion, and that the mayor subsequently had to pay Rp 150–200 million to each legislator to gain their approval of the annual accountability report (*Kompas*, 27 June 2002; *Surya*, 27 June 2002). Another team of researchers examined 12 cities and districts throughout the country. It observed 'a dynamic ... among the executive, legislative bodies, and the political parties ... of "collusion" to enrich themselves'. This led them to conclude that the 'decision making process is still dominated by elites who protect only their personal interests' (Asia Foundation 2002a: 26–7). Even the Minister of Home Affairs has grumbled that relations 'between the *bupati* or mayor and the legislature should be amicable ... not collusive' (*Kompas*, 22 July 2002).

The combination of increasingly democratic rules and apparently rampant corruption has caused many observers to wonder who is benefiting from decentralisation. A comparison of recently inaugurated regional heads and their predecessors shows that the vast majority share the same bureaucratic background as those appointed during the late Soeharto era. This suggests that the values and interests of regional government leaders have changed much less than have the rules that formally govern how they are chosen and to whom they are accountable. Read in conjunction with the tales of corruption, it seems to show that regional governments have gained autonomy from the central government, but are increasingly captive to local moneyed interests.

Through a historical quirk, the impact of the new laws has been greater at the district and municipal level than at the provincial level. About three-

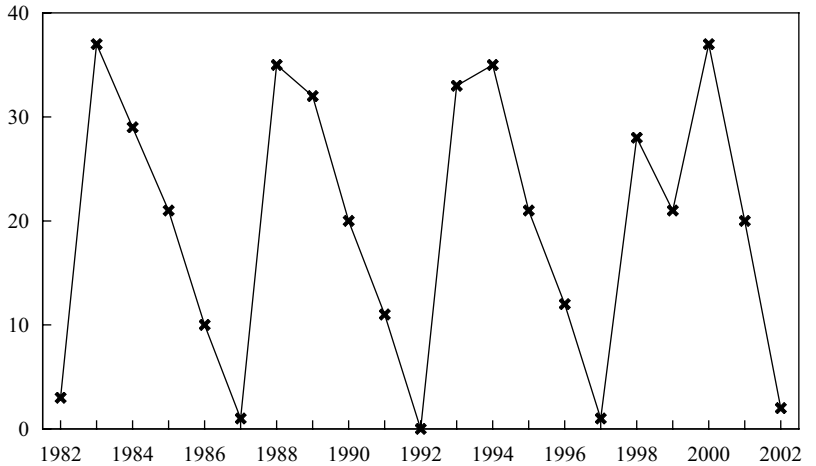
quarters of all governors' terms expired in 1997 and 1998 before either democratic legislative elections had been held or the decentralisation laws adopted. By contrast, only about one-third of all *bupati* and mayoral terms expired during those years, while more than one-half ended in 1999 and 2000, after the new laws had been passed and democratic elections held (compare Figures 7.1 and 7.2). This reflected a sequence that originated early in the New Order: the terms of most governors expired during the 18 months following a general election, and the terms of most *bupati* and mayors expired in another wave during the next two years. This also means that the full impact of decentralisation is likely to be realised over the course of 2003 as the terms of the governors appointed during the waning days of the Soeharto regime finally expire.

In order to compare the outcome of regional head elections during recent years with those during the late New Order, it is convenient to break the past two decades into five-year periods that correspond to the election cycle. As Figures 7.1 and 7.2 indicate, few regional heads were ever appointed during the years in which general elections were held (for example, 1982, 1987); some governors were appointed in those years, but only after the general election had been held.

At the provincial level, the Soeharto and Habibie governments appointed 21 governors during 1997 and 1998, while regional legislatures chose only 10 through more democratic procedures between 1999 and 2001.[6] The differences in outcome are striking. Only during 1997–98 did any military officers (12) gain a governorship, and only during that period were any incumbent governors (five) reappointed to a second term. However, for the period as a whole, the changes were less impressive. Compared with the previous period (1992–96), the share of appointments filled by military men dropped only from 54 per cent to 39 per cent (Table 7.1). Moreover, throughout this period, retired army generals continued to hold the governorships of such key provinces as North Sumatra, Riau, East Kalimantan and all those on Java except Yogyakarta – as they have since the early New Order. Perhaps even more tellingly, among the civilians appointed or elected as governor, all but one (in Jambi) were high-ranking career civil servants.

Change has been much more significant at the district and municipal level, where a larger proportion of the terms of regional heads expired after the general election. Rather than attempt to gather data for each of the hundreds of districts and cities throughout the country, I have chosen a set of provinces that accounts for about one-quarter of such governments in the country. These provinces include South Sumatra, Riau, East Java, North Sulawesi, East Nusa Tenggara and West Nusa Tenggara, as well as the new provinces of Bangka-Belitung (carved out of South Sumatra) and Gorontalo (formerly part of North Sulawesi). The figures cited here (and presented in Tables 7.2 and 7.3) refer to the districts and municipalities in these provinces, not the country as a whole.

*Figure 7.1 Bupati and Mayors Inaugurated, 1982–2002 (%)* [a]




a Percentages refer to the number of inaugurations divided by the total number of districts and municipalities in the provinces of Riau, South Sumatra (including Bangka-Belitung), East Java, North Sulawesi (including Gorontalo), West Nusa Tenggara and East Nusa Tenggara.

*Figure 7.2 Governors Inaugurated, 1982–2002 (no.)*

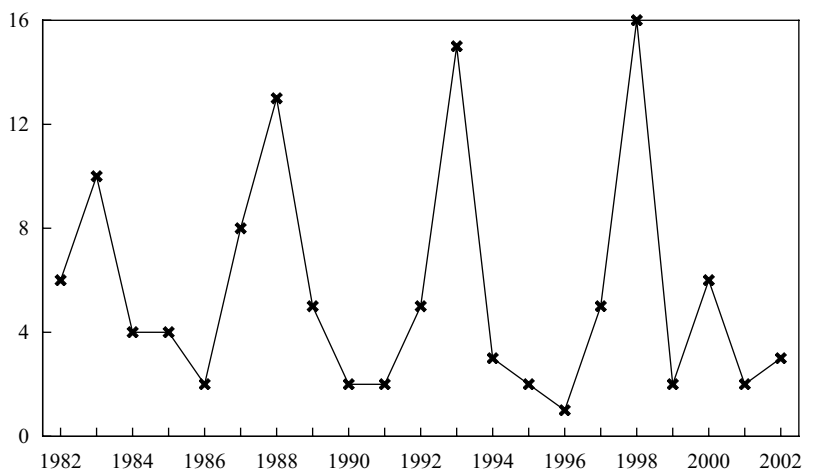


*Table 7.1 Trends in Gubernatorial Inaugurations, 1982–2001 (%)*

| | 1982–86 | 1987–91 | 1992–96 | 1997–2001 |
|---|---|---|---|---|
| Incumbents reappointed | 40 | 35 | 35 | 16 |
| Military/police (active or retired) | 58 | 48 | 54 | 39 |
| Career civil servant | 42 | 52 | 46 | 58 |
| Non-bureaucrat civilian | 0 | 0 | 0 | 3 |
| **No. of cases** | 24 | 25 | 26 | 31 |

Political reform has nearly eliminated the officials who served as *bupati* and mayors before 1997 and sharply reduced the number of military officers in those positions. Since 1997, less than 10 per cent of incumbents have managed to secure a second term, and only 12 per cent of all winners have come from the armed forces or police (Table 7.2). Over the previous three periods, about one-quarter of *bupati* and mayors won reappointment, and more than half were drawn from the officer corps. The chief beneficiaries of this change have been career civil servants, who garnered 70 per cent of all *bupati* and mayoral positions. By contrast, non-bureaucrat civilians have managed to win only 16 per cent of these positions, about the same as retired members of the armed forces.

The impact of decentralisation, and its likely future course, becomes clearer when the 1997–2001 period is divided into pre- and post-election periods (Table 7.3). Of the 36 appointments made before the 1999 poll, eight were filled by military men and only one by a non-bureaucrat civilian. But of the 53 positions filled afterwards, only three (6 per cent) went to officers while 14 (26 per cent) went to people from outside the officer corps and the civil service. Moreover, two of the three positions that fell to officers were the source of enormous controversy. Surabaya's incumbent mayor, the army colonel Sunarto Sumoprawiro, was re-elected in 2000 after it was discovered, just days before the election, that his leading opponent had spent time in jail in the 1960s. Less than two years later the legislature voted Sunarto out of office, claiming that he was incompetent and had neglected his duties. The second case also concerned an incumbent in East Java. Retired police colonel Fadhilah Budiono won election to a second term as *bupati* of Sampang in 2000 by only one vote. The losing candidate was from President Abdurrahman's National Awakening Party (PKB), the largest party in the Sampang legislature. Local differences then became entangled in Abdurrahman's tug-of-war with his competitors in Jakarta,

*Table 7.2 Trends in Bupati and Mayoral Inaugurations, 1982–2001 (%)*

| | 1982–86 | 1987–91 | 1992–96 | 1997–2001 |
|---|---|---|---|---|
| Incumbents reappointed | 29 | 15 | 28 | 9 |
| Military/police (active or retired) | 50 | 46 | 47 | 12 |
| Career civil servant | 39 | 45 | 51 | 70 |
| Non-bureaucrat civilian | 0 | 0 | 0 | 16 |
| Uncertain status[a] | 11 | 9 | 3 | 2 |
| **No. of cases** | 79 | 82 | 79 | 89 |

a 'Uncertain status' means there are insufficient data to determine whether an official's career was spent in the military or police, civil service, or neither.

and Fadhilah's inauguration was delayed for more than a year. Even then, tensions in Sampang remained so high that the ceremony was held in Surabaya.

In the absence of detailed information, it is difficult to make reliable generalisations about the two kinds of people who have increased their share of *bupati* and mayoral posts. For the most part, the bureaucrats elected since 1999 are much the same as those who won appointment in earlier years: they have risen through the bureaucratic ranks to hold senior positions in the regional bureaucracy. It is even more difficult to draw firm conclusions about the civilians who come from non-bureaucratic backgrounds, since there are only 14 of them in our sample of 89 cases. However, they seem to fall into two groups: leading social figures, such as teachers, lecturers and heads of religious schools, and politically well-connected business people.

## CONCLUSION

On the surface, decentralisation has wrought enormous change at the district and municipal level. Incumbents have been replaced, military men have been removed, and for the first time a significant number of people who made their careers outside the bureaucracy and armed forces head regional governments.

Change has come more slowly at the provincial level, but similar trends are visible there. It is reasonable to think they will accelerate during late 2002 and 2003 as the majority of provincial legislatures have their first chance to choose new leaders on their own. National political interests are likely to be more

*Table 7.3 Trends in Bupati and Mayoral Appointments, 1997–2001 (%)*

| | January 1997 – April 1999 | November 1999 – December 2001 |
|---|---|---|
| Incumbents reappointed | 14 | 6 |
| Military/police (active or retired) | 22 | 6 |
| Career civil servant | 75 | 66 |
| Non-bureaucrat civilian | 3 | 26 |
| Uncertain status[a] | 0 | 4 |
| **No. of cases** | 36 | 53 |

a 'Uncertain status' means there are insufficient data to determine whether an official's career was spent in the military or police, civil service or neither.

prominent in these contests, but the extent of their impact is uncertain. Blatant efforts by national Golkar figures to win election in 2001 as governors of the newly created provinces of Gorontalo and North Maluku failed when Megawati refused to inaugurate them. Yet her influence, even over her own party, is limited. In 2002, she removed leaders of her own party's branches in Jakarta and Lampung when they insisted on backing local candidates from their party for governorships. In both cases, she preferred the incumbent. In Jakarta her tactics resulted in the re-election of a retired army general, but in Lampung they backfired when legislators chose a member of her party rather than the career civil servant she favoured.

Pervasive corruption in the process that produces these results diminishes their significance. Rather than encouraging the creation of publicly accountable regional governments, decentralisation has facilitated their capture by local elites. In this regard, civil servants' tremendous success in winnng elections as regional heads is particularly important. It suggests, first of all, that the old politico-administrative elite has managed to adapt to the new rules and consolidate its control. This is a far cry from the late 1950s, when the introduction of a similar mechanism for electing regional heads enabled politicians to threaten bureaucrats' supremacy. Second, and closely related to the first, bureaucrats' political success draws attention to the weakness of political parties' organisation at the provincial and local levels. The parties appear to lack both strong candidates, since they vote former and current Golkar leaders into office, and strong principles or values, since they readily trade their votes for cash.

In Bardhan and Mookherjee's terms, the old bureaucratic elites are more

cohesive than the new political ones, and electoral competition is weak. Moreover, since regional head elections are indirect rather than by popular vote, the impact of citizens' already low level of political awareness is extremely limited. All of these factors point to the emergence of regional governments that are more likely to be captured by local elites than accountable to local voters.

## NOTES

1 Specifically, 63 (84 per cent) of 75 countries with more than five million people were engaged in some form of decentralisation.
2 See, for example, World Bank (1999a: Ch. 5).
3 See also Garman, Haggard and Willis (2001: 207), and compare with Montero (2001).
4 These are my calculations. The figures for districts and municipalities are an estimate based on data for four provinces: East Java, North Sulawesi, Riau and West Nusa Tenggara.
5 Amirmachmud, known as the 'bulldozer', removed the governors of North Sulawesi and Central Sulawesi in 1979 before either had completed even two of their five-year terms in office. Three years earlier he had replaced the governor of Maluku after less than three years in office.
6 In order to facilitate comparison, I count officials from the time they are appointed or inaugurated (*dilantik*), not elected. During a given period, the number of appointments or inaugurations will exceed the number of provinces if a governor leaves office prematurely and is replaced by another, permanent (non-interim) official. Between 1997 and 2001, this occurred three times, in Aceh, West Sumatra and Papua.

# PART III

# Regional Case Studies

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# 8 POWER AND POLITICS IN NORTH SUMATRA: THE UNCOMPLETED *REFORMASI*

*Vedi R. Hadiz*

A new political regime characterised by the prominence of such institutions as parties, parliaments and elections has emerged in Indonesia. However, old predatory interests incubated under the New Order's vast system of patronage have successfully reconstituted themselves within this new regime. Through new alliances, they have effectively captured the institutions of democracy.[1] This chapter examines the process of reconstitution and appropriation primarily through a discussion of the case of North Sumatra, but also on the basis of observations from Yogyakarta in Central Java. It pays particular attention to the rise in local politics of those formerly ensconced in the lower layers of the New Order's system of patronage. The analysis involves a reconsideration of some features of the democratic transitions literature, especially as adapted to the Indonesian case, and of currently fashionable notions of 'good governance'.

## ON TRANSITIONS AND INSTITUTIONAL CHANGE

The still-growing 'democratic transitions' literature essentially concerns the different scenarios that may follow the demise of an authoritarian regime, which may or may not culminate in the consolidation and maturation of democracy. O'Donnell and Schmitter, key figures in the transitions literature, describe their seminal work as being concerned with 'transitions from certain authoritarian regimes toward an uncertain "something else"'. They note that this 'something' could be the 'instauration' of political democracy or the restoration of a new, and possibly more severe, form of authoritarian rule; or that it could simply be 'the rotation in power of successive governments which fail to provide any enduring or predictable solution to the problem of institutionalising political power' (O'Donnell and Schmitter 1986: 3).

However, those writing on Indonesia have tended, at least initially, to 'forget' the different kinds of 'something else' that are conceivable, attracted as they are to the linear conception of democratic change that is said to begin from authoritarian decay, then go through the stages of 'transition', 'consolidation' and 'maturation' (van Klinken 1999: 59). Related to this view is the idea that the transition to a liberal form of democracy is primarily a question of crafting the right kinds of institutions of governance. Thus much attention has been paid to charting the development of constitutional changes, new election laws, laws on regional decentralisation and the like.

These are of course very important indicators of where Indonesia is heading. However, such concerns at least partly reflect current World Bank and international donor agency-inspired policy advice which, under the rubric of good governance or programs to build civil society and social capital, tends to conceive of the problem of transitions, especially to market economies, solely in terms of developing institutional capacities.[2] The primary issue is understood, from this point of view, as one of creating 'good' institutions (NDI 2002; see also USAID 2002), run by the right kind of rational, enlightened individuals who are able to enforce rules and regulations that create transparency and the efficient allocation of resources.

While institutional change is clearly critical, this position tends to overlook the kinds of interests that embed themselves in institutions and how these affect the way that governance actually works in practice. It tends not to account for the sometimes bitter, violent and protracted struggles within the context of broader coalitions of interest that make the process of institutional change more than just a technical issue of choosing the 'right' policies. Because of the lack of attention to this aspect of the problem, there is surprise or disappointment when institutions don't work as they are 'supposed to'. By contrast, hope is maintained on the premise that there might still emerge well-intentioned, unself-interested or rational, enlightened individuals to lead these institutions (see, for example, Simanjuntak 2000: 75). Clearly there is much in common here with old-style modernisation theory, which relied much on initiatives by technocratic–bureaucratic or entrepreneurial elites, and contemporary versions that appear in the guise of rational choice theory and that of social capital.[3]

The view advanced in this chapter is that it is in fact erroneous to suggest that Indonesia is still in 'transition'. Instead, the new patterns and essential dynamics of the exercise of social, economic and political power have already become more or less established. This contrasts sharply with more conventional understanding that simply suggests that Indonesia 'is in the middle of a phase of transition, from a closed authoritarian society to one that is open' (Kingsbury and Budiman 2002: 1), with all sorts of related messy consequences. Thus violence, money politics, alleged political murders and kidnappings, which particularly characterise local politics in places such as North Sumatra, are not

regarded in this essay as symptomatic of a painfully consolidating or maturing (liberal) democracy, but fundamental instead to the logic of a 'something else' already more or less entrenched. There is no inevitable – however laboured – advance to an idealised model of liberal democratic governance, or to one of a free market economy.

An essential feature of the democratic transitions theoretical literature is that it has often been actor-based and voluntarist in the extreme, emphasising such elements as accidents, actors' choices and ethical dilemmas during a relatively limited period of political uncertainty (O'Donnell and Schmitter 1986: 3). This makes it rather ill-equipped to deal with continuities in underlying power relationships – to recognise abiding interests involved in protracted contests over political change, even as new institutions are being forged while the authoritarian framework unravels. Another unsatisfactory aspect of the literature is that it tends to get formalistic in its understanding of democracies and their workings, often being distracted by the mere presence of institutions – such as free elections – that are part of the democratic package.[4]

Moreover, there is also a tendency to privilege the non-disturbance of the existing social order. As McFaul notes in an internal critique of the transitions literature, there has been much emphasis on democratic 'pacts' negotiated between equally balanced reformist and status quo forces. He suggests instead that the Eastern European evidence demonstrates that it has been necessary for democratic forces to *defeat* and achieve *dominance* over pro-status quo groups for significant headway to be made in democratising. In other words, a distinct political victory by reformers has been required (McFaul 2002: 213–14).

The Indonesian case shows yet another dynamic. *Reformasi* has not meant a political defeat for the array of interests nurtured and incubated under the New Order's vast network of patronage. Instead, as the case of North Sumatra demonstrates, elites have discovered that democratic institutions – run by money politics and violence – can be just as beneficial as the protection of an outright authoritarian regime. While a return to authoritarianism has not transpired in the years since the fall of the New Order, old predatory interests have survived and successfully captured the institutions of Indonesia's democracy, albeit through new alliances and arrangements (Hadiz 2001). In fact, as they have now repositioned themselves as party elites, in North Sumatra and nationally, most would not welcome a return to a military-led, centralised authoritarianism.

Another legacy of New Order rule is the fundamental disorganisation of civil society. Rather than serving as 'articulators' or 'aggregators' of public interest as in conventional political theory, the plethora of political parties now in existence merely reflects shifting tactical alliances among gangs of predators at the national and local levels. Hence they produce no reform agenda. No real liberal reformist party with a rule-of-law agenda exists, for example. Nor is

there any social democratic reformist party with a base in the labour movement. After the trauma of 1965, the reclaiming of the traditions of the radical left remains improbable in the immediate future (Anderson 1998: 285–98), notwithstanding the existence of the small People's Democratic Party (PRD). That is the case even in places like North Sumatra that had a long history of such traditions before they were suppressed during the New Order.

Thus it is not surprising that, as in the Philippines following the fall of Marcos, the driving logic of political life in Indonesia remains the 'quest for rent-seeking' opportunities through the securing of 'access to the state apparatus' for the purposes of private accumulation (Hutchcroft 1991: 414–15). Hutchcroft proposes an analysis of the Philippines that recognises the difference between 'changes in political regime and changes in the nature of the state', noting how the postwar Philippine political economy has displayed more continuity than change, and how 'the more things change, the more they remain the same' (pp. 414–15). In many respects, the same point of view could usefully be adopted to understand the dynamics of power in post-New Order Indonesia, where the institutional arrangements of the old regime have unravelled, but old predatory interests remain ascendant within the institutions of the new regime on the basis of new coalitions and alliances.

## THE POLITICS OF DECENTRALISATION

The erosion of central state authority following the fall of the authoritarian New Order regime made it necessary to try to accommodate regional and local demands for greater autonomy in the management of local resources and in the exercise of economic and political power. During the long Soeharto era, regional expressions of discontent were often simply brushed aside or stifled by sheer force. Following the president's resignation, there were widespread expressions of desire for greater local autonomy, a federalist state structure and, in some cases, even outright secession, forcing these issues to the top of the central government's agenda (Malley 2001: 351–61). Its main response was to formulate the still hotly contested regional decentralisation legislation of 1999.

From a neo-institutionalist/good governance viewpoint, a broader issue at stake is whether decentralisation and regional autonomy will have positive effects in terms of the practice of governance and in relation to democratisation. Furthermore, an essential question is whether decentralisation, especially fiscal decentralisation, will result in greater or less corruption, or more or less efficient allocation of resources.[5] A technical solution that has been put forward is to plan the sequencing of decentralisation carefully over a longer period of time, to allow for institutional fine-tuning at the different levels of governance (Ahmad and Hofman 2000). This recalls the idea that the fault in the economic

deregulation process in Indonesia in the 1980s and 1990s lay in its improper sequencing (World Bank 1996: xxvii). But far from being a question of technical error, the sequencing of deregulation was 'determined' by the wider configuration of salient state and business interests that affect economic policy-making more broadly, which meant that certain areas were less open to deregulation than others at different times (see, for example, Robison and Hadiz 2002: 48).

Likewise, rather than being a technical governance issue, the current controversy about the scope and design of local autonomy is indicative of a tug-of-war among competing interests over concrete, material resources. Jakarta obviously has a vested interest in maintaining control over local resources – at least as much as possible – while attempting to balance this against aspirations for greater local autonomy. On the other hand, local elites would like to have direct control over these same resources themselves, typically citing the injustice of past practices that allowed Jakarta to exploit Indonesia's vast riches at the expense of locals. This is in spite of the disparities in the wealth of Indonesia's various regions. The contest has thus primarily been about control over resources, though often expressed also in terms of local pride, or ethnic or regional identity versus national unity. The stakes involved vary from region to region. They are relatively small in resource-poor Yogyakarta, but much greater for rising political entrepreneurs in resource-rich places like Kutai in Kalimantan. Nevertheless, the district head (*bupati*) of Bantul in Yogyakarta, who governs an area that includes the popular Parangtritis tourist site but little else of great economic value, speaks of setting up new local state enterprises to take a leading role in a variety of endeavours.[6] For him, it is clearly better to have direct control over scarce resources than no control over more abundant resources under the jurisdiction of Jakarta. Hence decentralisation is ultimately not a matter of technical calculation only, but, more fundamentally, a matter of contesting power.

It is not surprising, then, that *bupati* and mayors across Indonesia have been levying new taxes and charges on business and the public. This has been the case in North Sumatra, where local politicians are looking at introducing new levies given the anticipated reduction in central government financing. In the process, they are creating distress in the business community.[7] One Medan city parliamentarian, Bangkit Sitepu, has suggested that it is legitimate to require business people to return to society some of the profits they have enjoyed.[8] But local business people such as Yopie Batubara or Chinese-Indonesian entrepreneur Surya Sampurna echo the concerns voiced in Jakarta by Aburizal Bakrie, head of the Chamber of Commerce and Industry (Kadin), that a barrage of new levies, formal as well as informal, will burden business and discourage investment.[9] In North Sumatra, subprovincial politicians are particularly concerned to ensure local control over revenue from the plantation sector, and to obtain the

untrammelled right to introduce new levies.[10] In addition, local officials want to wrest control from the central government of Polonia Airport in Medan, the harbour at Belawan and the Tirtanadi water supply company.[11]

But provincial and subprovincial officials routinely haggle over who has jurisdiction over particular taxes and levies. Distressingly, this state of affairs has concrete ramifications in terms of the provision of essential public services such as water and electricity.[12] In fact, one of the problems in the implementation of decentralisation so far has been conflict between provincial-level officials, and subprovincial authorities who no longer believe they should be accountable to those at the provincial level.[13] The governors of North Sumatra and Yogyakarta have both lamented that the *bupati* in their respective provinces have developed an oversized sense of self-importance and become difficult to supervise.[14] The hereditary governor of Yogyakarta, Sultan Hamengkubuwono X, is attempting to secure his position through a draft special law on Yogyakarta which establishes local autonomy at the provincial rather than subprovincial level, as is stipulated in current central government legislation (*Kompas*, 11 June 2002).

No matter how cases such as these are ultimately resolved, the essential point is that decentralisation policy is being shaped not by technocratic calculation, but as a matter of concrete struggle for power and resources between disparate interests at the central, provincial and subprovincial levels. As discussed below, predatory interests incubated under the New Order remain salient in these contests.

## LOCAL POWER, LOCAL INTERESTS

So what kinds of interests are seeking control of local resources and the machinery of power?

It was suggested above that many of the prominent players in local politics had previously occupied the lower layers of the vast network of patronage that was the New Order. This network extended from Cendana Palace (Soeharto's private residence) down to the regions, cities and villages. While this centralised system no longer exists, its elements have been able to reconstitute themselves in new, more fluid, decentralised and competing networks of patronage. The range of interests now contesting power at the local level are even more varied than under the New Order. They include ambitious political fixers and entrepreneurs, wily and still-predatory state bureaucrats, and aspiring and newly ascendant business groups, as well as a wide range of political gangsters, thugs and civilian militia. Most of these were nurtured by the old regime as its operators and enforcers.

Thus in North Sumatra, as is probably the case in most other regions, the

newly salient political actors have tended to be small and medium-level entrepreneurs who are at least partly dependent on state projects and contracts; professional politicians with links to the old New Order parties; or activists who have latched onto organisations such as the Association of Muslim Students (HMI), the National Council of Indonesian Youth (KNPI), the Indonesian Nationalist Students Movement (GMNI) and the Indonesian Christian Students Movement (GMKI), from which the New Order regularly recruited new apparatchiks and fixers. No less important are those who acted as the regime's local henchmen through organisations such as Pancasila Youth (Pemuda Pancasila). Even relative newcomers can increase their influence by attaching themselves to figures or groups endowed with greater resources in terms of access to money and, importantly, an apparatus of violence. Interestingly, many of these actors do not now necessarily view gaining ascendancy at the subprovincial level of politics as a natural stepping stone to provincial or national politics, because they are increasingly finding that regional autonomy provides lucrative opportunities for rent-seeking activities at the subprovincial level itself.

In this regard, the North Sumatran dynamics are particularly revealing. Of the 22 *bupati* and mayors who have begun their terms of office since the fall of Soeharto, virtually all have been Golkar nominees. This is in spite of the emergence of the Indonesian Democratic Party of Struggle (PDI-P) as the dominant party in the region – it won over two of the more than five million votes cast in the 1999 parliamentary elections, or nearly double that of its nearest competitor, Golkar (see Suryadinata 2001: 218). Although the PDI-P is the largest force in most of the regional assemblies (DPRD) that have elected *bupati* and mayors, current data suggest that the party has won only one *bupati*-ship since 1998.[15] Golkar's success may in part be attributed to its greater adeptness at playing the game of money politics, as well as its still well-oiled political machinery. Elections not tainted by accusations of vote buying and bribery have been the rare exception in North Sumatra in this period of *reformasi*. Another point of interest is that six of the successful candidates for *bupati* and mayor have backgrounds as local entrepreneurs (for example, contractors), demonstrating the growing attractiveness for local business people of wielding direct control over the state apparatus. The majority of the remainder have bureaucratic backgrounds, indicating continuity with the New Order.

It is in North Sumatra as well that gangsters (*preman*) have most clearly emerged as important players in local politics. Three parliamentarians in the Medan DPRD are leading figures in local branches of major 'youth' organisations that are generally viewed as fronts for *preman* activity. Bangkit Sitepu is head of the local branch of Pemuda Pancasila, the New Order's premier state-backed organised crime outfit; Moses Tambunan heads the Functional Youth Association (IPK); and Martius Latuperisa, a member of Edi Sudradjat's Justice and Unity Party (PKP), is the local leader of Communications Forum for the

Sons and Daughters of Military Retirees (FKPPI). The colourful and brash Latuperisa speaks readily of his life of crime. Although he expresses great disdain for the greed of his fellow politicians and has little respect for institutions such as parliament and political parties,[16] he was a key figure in the election of the controversial mayor of Medan, Abdillah.[17] Yet another Medan city parliamentarian with a background in Pemuda Pancasila, in the women's section, is Elvi Rahma Ginting, a member of the National Mandate Party (PAN).[18] Moreover, key figures in the New Order era's youth organisations have recently won the top executive-body positions in the town of Binjai and district of Langkat.

But it is the election in Medan of Abdillah, a local business figure, that has been most closely scrutinised, for it was a particularly messy affair even by North Sumatran standards. His main opponent was Ridwan Batubara, a career bureaucrat. He appears to have had the blessing of the central leadership of the PDI-P, which controlled 16 of the 45 seats in the Medan municipal parliament, making it the largest faction. Ridwan also had ample resources at his disposal: his brother, Yopie Batubara, is a leading business figure in North Sumatra with extensive interests in property development and other areas. Nevertheless, the wily Abdillah managed to outmanoeuvre his rival to win 35 of the 45 votes in the Medan parliament in March 2000. It later transpired – when a dozen PDI-P parliamentarians were abducted by irate supporters of the losing candidate and made to confess – that the PDI-P legislators had been bribed to abandon Ridwan (Ryter 2000). Notably, Abdillah won in spite of the fact that Yopie had provided the funds to allow the legislators to 'return' the bribes they had accepted from Abdillah's camp.[19]

But Abdillah did not rely solely on money; his candidacy was also helped by the mobilisation of FKPPI goons, led by Latuperisa, to intimidate legislators and supporters of the rival candidate. According to Ryter (2000), Latuperisa proclaimed that 'the people of Medan are not subordinates of the central government'. Alluding to the support for Ridwan Batubara of the Ministry of Home Affairs and, no doubt, the PDI-P central leadership, he said that he would ensure that Abdillah was sworn in despite any opposition from Jakarta. Another key individual in Abdillah's victory was Tom Adlin Hajar, a PDI-P member who currently holds the position of speaker in the Medan parliament. Latuperisa claims that Hajar, like many others, was persuaded to back Abdillah after being faced with a choice between 'the money and the gun'.[20]

Cases like the mayoral election in Medan reveal the importance in today's local politics of access to money and to an apparatus of violence. Yopie Batubara claims that tens of billions of rupiah are needed to win a local election.[21] A defeated candidate for the *bupati*-ship of South Tapanuli estimates that a successful bid there would require an investment of 'only' Rp 2 billion, while adding that the winner could expect a healthy return while in office.[22]

The Medan election is not the only case in which intimidation has played a

key role in getting a candidate elected. Another prominent and especially ugly example – involving not only the use of threats and violence against parliamentarians, but also the mysterious razing of the local parliament house – occurred in the district of Karo.[23]

But money politics and violence are not features of North Sumatran local politics alone. Even in comparatively sedate Yogyakarta, where elites are proud of the area's 'high' cultural traditions, a recent race for the *bupati*-ship of Sleman was coloured by bomb threats and accusations of bribery, intimidation and kidnapping.[24] Unlike in North Sumatra, ostensibly religious militia forces with direct or indirect links to Islamic-oriented parties are very prominent in Yogyakarta.

Because of their role in the new democracy, it is to the youth and crime organisations of North Sumatra that we now turn our attention. They have been some of the greatest beneficiaries of *reformasi.*

## GANGSTERS AND LOCAL POLITICS

Ryter (1998, 2000) and Lindsey (2001) have written about political *premanisme* (gangsterism) in Indonesia. Arguably, no region matches North Sumatra in terms of the sheer political power and influence of the *preman. Preman* power has had a long and 'illustrious' history in the province. For example, Pemuda Pancasila 'elder' Amran Y.S. – now a PAN member of the provincial parliament – proudly recounts the role his organisation played in stamping out communism in North Sumatra in 1965–66 in alliance with the military.[25]

Leaders of paramilitary youth organisations played the role of political enforcers during the New Order period, providing an unofficial service of intimidation for the regime and its officials in concert with the security apparatus proper. They were particularly ubiquitous during elections. Also active in the criminal world, they occupied a place in the New Order scheme of things that lay somewhere between formal elite politics and what many would regard as society's dark underbelly. They were frequently able to move back and forth between the underworld and 'respectable society' as business people or other kinds of public figures. With the unravelling of the New Order, such characters have found new opportunities to enhance their wealth, power and social status by ensconcing themselves as direct holders of political power, a phenomenon that was relatively rare under the New Order.

The constellation of youth/gangster organisations in North Sumatra is slightly different to that in most other parts of urban Indonesia. It is not only Pemuda Pancasila that is particularly strong there; the IPK, an offshoot of the organisation, is a major rival. Thus the low-profile Oloan Panggabean, a long-time leader of the IPK, is widely feared (and in some circles, revered) in Medan,

with many locals referring to him as the real or 'night-time' mayor of the city. His 'standing' in society has been enhanced by such acts of charity as providing transport and monetary assistance to persons displaced by the Aceh conflict who wished to return to Java.[28] Under the leadership of the legendary 'Olo', as he is widely known, the IPK soon became even more powerful than Pemuda Pancasila; since the split in 1978, members of the two organisations have been involved in regular brutal competition for control of Medan's underworld. Ironically, while rank and file members fight it out, top leaders like Moses Tambunan and Bangkit Sitepu appear to remain cordial political allies within Golkar. Although Olo has handed over the top position in the IPK to Moses Tambunan, he is still regarded as Medan's premier 'godfather'.

Under the New Order, it was common knowledge that the power of the youth organisations was rooted in their close association with local military commands. This allowed them to run lucrative activities like gambling and protection rackets with impunity. The change in the military's standing since *reformasi* has not meant the severing of these links. On one occasion, the police responded to the IPK killing of a member of the force by shooting up Olo's private residence, but were then 'admonished' by the military at the underworld boss's behest (Ryter 2000).

Clearly, goons and thugs are particularly well placed in a system of power in which the capacity to deploy, or at least threaten, violence is important in securing control of the local apparatus of state. They are particularly sought after given the enforced retreat of the military from an overt role in politics. Besides providing muscle for candidates, the leaders of youth organisations – because they preside over lucrative underworld enterprises – are able to fund political bids. With their muscle and money, they are also potentially capable of influencing policy decisions and debate in the local parliament, including those regarding the allocation of contracts and other resources. They are thus an integral part of the workings of Indonesia's new democracy.

An emerging and notable rival to the established youth organisations is Satgas PDI-P, the PDI-P's 'task force' or civilian militia. It is believed that many members of the *preman*-based youth organisations have crossed over to this *satgas*.[26] The head of the North Sumatra branch, Marlon Purba, is a former police officer and racketeer who is currently a PDI-P member of the provincial parliament. While serving as a police officer he was jailed for murdering a soldier; upon release, he started his own gambling operation. Purba's forces were recently instrumental in the election of the *bupati* of Simalungun, although he claims that only unruly subprovincial *satgas* forces were involved in the controversy surrounding Abdillah's ascension in Medan.[27] Indeed, Purba complains vehemently about the disorderly nature of Satgas PDI-P, claiming he has no control over its subprovincial branches. He also complains about the plethora of ostensibly PDI-P-oriented youth organisations – Pemuda Demokrat,

Garda Banper, Banteng Muda Indonesia – that have no formal affiliation to the party but which are identified with it and cultivated by party politicians. Medan parliamentarian O.K. Azhari, for example, a former 'entrepreneur' in the city's lucrative, crime-ridden car-parking business, was the head of Basis Mega, yet another pro-PDI-P militia group.[29] Clearly, such individuals are attracted to the PDI-P and its associated organisations because, as the largest party in North Sumatra, it is able to offer access to economic and political opportunities.[30]

The prominence of Pemuda Pancasila, the IPK, Satgas PDI-P and the like in North Sumatra, especially Medan, clearly points to a disturbing trend: the militarisation of society. With their differently coloured camouflage uniforms and regalia, they are in effect private armies that can be mobilised at the behest of the rich, the powerful and the ruthless. There is probably no other Indonesian city where the signposts of these organisations are so prevalent and so obviously placed, as if to mark territorial boundaries. Nevertheless, the situation appears to be quite chaotic, as these groups appear to lack the kind of discipline that one might (rightly or wrongly) associate with the Nazis and fascist goons of other times and places. Many members seem to literally change uniforms at will; in spite of the efforts of leaders like Marlon Purba to extract loyalty, they don the colours of whichever organisation is willing to employ them at any given time. This has given rise to the idea of *pemuda setempat* – 'local youth' who are available for hire by anybody, and who have no particular sense of allegiance to any single organisation.[31]

## INSIGHTS INTO INDONESIA'S NEW DEMOCRACY

The resurgence of the New Order's echelon of operators and enforcers in North Sumatra under *reformasi* could not contrast more starkly with the position of those who were, and continue to be, politically marginalised. For instance, in spite of workers' new freedom to organise, and their successful demands for wage increases, labour remains largely a marginal social force, reflecting the legacy of systematic disorganisation of mass-based social groups and movements during the New Order period. The official state apparatus of repression has now largely retreated from direct intervention in labour affairs (Hadiz 1997), but business people have responded to increasing worker demands (for higher wages and so on) under generally difficult economic circumstances by keeping the screws tight at the enterprise level. For example, few businesses in North Sumatra are willing to enter into collective labour agreements with organisations outside the All-Indonesia Workers Union (SPSI), the official trade union of the New Order. Another tactic is to hire goons associated with youth organisations or party militia to intimidate workers during protests, and even at their homes.[31] Allegedly there is even a Satgas SPSI for hire in North Sumatra

(probably made up of moonlighting members of other organisations) that specialises in intimidating workers during labour disputes.[32]

The main point being made here is that the opening up of politics under *reformasi* has not presented equal opportunities for the furtherance of *all* societal interests. Those with money and those capable of deploying an apparatus of violence are the ones who have done best under Indonesia's new democratic institutions. These institutions have typically been captured by coalitions of social power and interest that were nurtured by the authoritarian New Order within its formerly vast network of patronage. Such coalitions now infest Indonesia's political parties, parliaments and executive bodies, at the local as well as national level. They are intent on developing new predatory networks of patronage based on access to state power and resources.

These observations from the case of North Sumatra clearly have much relevance for the ongoing debate about the direction and character of Indonesia's new democracy, as well as for more general and theoretical discussion of democratisation, governance and institutional change. They demonstrate that there is no inevitable (and certainly no frictionless) march towards idealised forms of liberal democratic governance in the wake of authoritarianism, and that a very different kind of regime – one driven by the logic of money politics and violence – may instead become entrenched due to the specific constellation of social power and interest.

## NOTES

1 These general themes are explored in joint work currently being undertaken with Richard Robison. I would like to thank Elfenda Ananda, Safaruddin Siregar, Yos, Lindung, Tongam and Doni Achmad, as well as many others who helped with my research in North Sumatra, and Ridaya Laode, who assisted me in Yogyakarta. Research funding was provided by the Faculty of Arts and Social Sciences, National University of Singapore.

2 As remarked on the website of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP 2002), 'Major donors and international financial institutions are increasingly basing their aid and loans on the condition that reforms that ensure "good governance" are undertaken'.

3 See Fine (2001), especially Chapters 8 and 9.

4 See, for example, Munck (2001: 119–44) for a discussion of the competing formal definitions of democracy in the literature.

5 See, for example, Fisman and Gatti (2000), writing for the World Bank.

6 Interview with Mohammad Idham Samawi, *bupati* of Bantul, 12 December 2000.

7 Interview with Yopie Batubara, head of the North Sumatra Chamber of Commerce and Industry, 8 September 2001.

8 Interview with Bangkit Sitepu,16 July 2002.

9 Interviews with Yopie Batubara, 8 September 2001, and Surya Sampurna, 6 July 2001.
10 Interview with, for example, T. Rizal Nurdin, governor of North Sumatra, 7 July 2001.
11 Interviews with, for example, Medan parliamentarians Bangkit Sitepu and Moses Tambunan, 16 July 2002.
12 Interview with Ridwan Lubis, academic, 16 July 2002.
13 Interviews with, for example, Marin Purba, mayor of Pematang Siantar, 7 September 2001, and Syamsul Arifin, *bupati* of Langkat, 5 September 2001. Both, incidentally, have business backgrounds. The latter is also a major figure in the KNPI, as well as being associated with Pemuda Pancasila and the FKPPI.
14 Interviews with Sultan Hamengkubuwono, governor of Yogyakarta, 15 December 2000, and T. Nurdin Lubis, governor of North Sumatra, 7 July 2001.
15 Elfenda Ananda kindly furnished these data on the basis of information provided by the North Sumatra government. I would also like to thank Amir Purba, an academic, for initially bringing this issue to my attention (interview, 5 July 2001).
16 Interview with Martius Latuperisa, 6 July 2001.
17 Personal communication, Martius Latuperisa, 17 July 2002; see also Ryter (2000).
18 Interview with Elvi Rahma Ginting, 6 July 2001.
19 Interview with Yopie Batubara, 8 September 2001. He claims to have the receipts to prove this.
20 Personal communication, Martius Latuperisa, 17 July 2002.
21 Interview with Yopie Batubara, 8 September 2001.
22 Interview with Sotar Nasution, 3 September 2001.
23 Interview with John Andreas Purba, PDI-P member of the Karo district parliament (and formerly associated with the KNPI), 6 July 2001.
24 Interview with Hafidh Asrom, businessman and defeated candidate for the *bupati*-ship of Sleman, 9 December 2000.
25 Interview with Amran Y.S., 4 July 2001.
26 Interview with Topan Damanik, academic and NGO activist, 17 July 2002.
27 Interview with Marlon Purba, 19 July 2002.
28 'Serangan ke Gedung Putih', *Gatra*, http://www.gatranews.net/VI/9/NAS5-9.html, accessed August 2000.
29 Interview with O.K. Azhari, 5 July 2001. He was, interestingly, a member of both the GMNI and the HMI.
29 This has caused much external as well internal criticism of the 'quality' of PDI-P members, including its legislators (interview with, for example, John Andreas Purba, 6 July 2001). Indeed, the alleged 'poor quality' of legislators in general is a widely discussed local issue (interview with, for example, Marin Purba, mayor of Pematang Siantar, 7 September 2001).
30 Interview with Topan Damanik, 17 July 2002.
31 Interviews and discussions with workers and labour activists in Medan, North Sumatra, 8 July 2001and 18, 20 and 21 July 2002.
32 The use of hoodlums to deter workers is denied by the SPSI leadership in North Sumatra (discussion, 19 July 2002).

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# 9 WHO ARE THE *ORANG RIAU*? NEGOTIATING IDENTITY ACROSS GEOGRAPHIC AND ETHNIC DIVIDES

*Michele Ford*

Debates about identity have multiplied across Indonesia in the wake of the implementation of regional autonomy. In the ethnically heterogeneous province of Riau, identity is prominent in the public debate and pivotal to struggles over the distribution of resources and questions of political allegiance. This chapter examines the extent to which these public discourses of identity are reflected at the grassroots level, drawing from my own experiences as an intermittent member of a non-Malay Riau household, and on data from semi-structured interviews conducted in June 2002 with community leaders and 40 other people from a range of social and ethnic backgrounds (see Table 9.1).

Half of the interviews took place in Pekanbaru (the provincial capital, located on the mainland) and half in Tanjungpinang (traditionally the major administrative centre in the islands). They focused on four issues: understandings of regional autonomy; the potential division of Riau into two provinces; who can lay claim to being an *orang Riau* (a person of Riau); and relationships among ethnic groups.

My informants' responses confirmed that the hopes of the people of Riau for improved access to economic resources have fuelled both general public support for autonomy and Malay claims to preferential treatment. However, they also suggested that affective factors should not be overlooked in attempts to understand the nuances of regional autonomy in Riau. On the one hand, Malay identity is emerging as a form of collective expression. On the other, Malay claims to place have left many non-Malays with a sense that they have no place to claim. Where, then, does indigeneity end and citizenship begin? This question, which lies at the very heart of the identity conundrum in Riau, is important for Indonesia as a whole as it emerges from the New Order period.

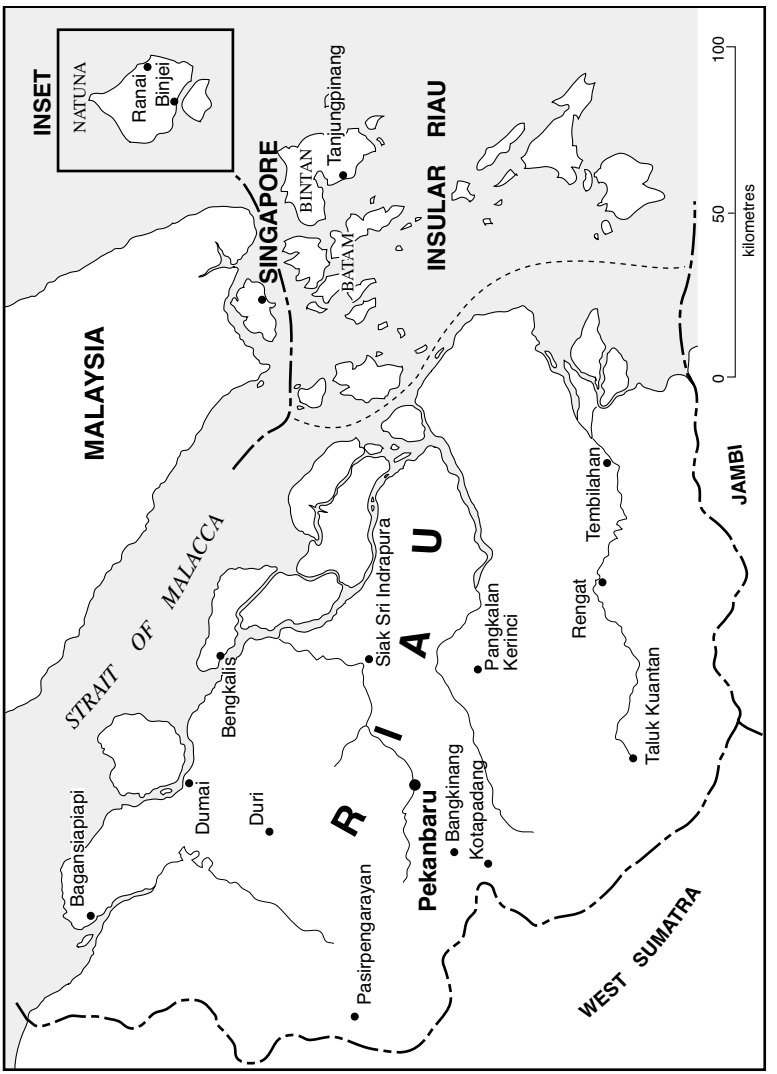
INSET
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*Table 9.1 Summary of Biodata of Interview Respondents*

| Ethnic Group | Status of Residence | Sex | Age | Occupation | Ethnic Group of Spouse | Language Spoken at Home |
|---|---|---|---|---|---|---|
| **Mainland Riau** | | | | | | |
| Malay | Islands | M | 44 | Lawyer | Minang | Indonesian |
| Malay | Mainland | F | 40 | Petty trader | Malay (mainland) | Malay/ Minang |
| Malay | Mainland | M | 39 | Contractor | Malay (mainland) | Indonesian |
| Malay | Mainland | M | 37 | Public transport driver | Riau-born Minang | Malay/ Minang |
| Malay | Mainland | M | 34 | Plantation administrator | Lampung/ Javanese | Indonesian |
| Minang | Riau-born | F | 41 | Home duties | Minang | Indonesian |
| Batak/ Javanese | Riau-born | M | 38 | NGO activist | Riau-born Minang/Javanese | Indonesian |
| Minang | Riau-born | M | 38 | Civil servant | Minang | Minang/ Malay |
| Javanese/ Minang | Riau-born | M | 34 | Manager | Acehnese/ Sundanese | Indonesian |
| Bugis | Riau-born | M | 30 | Lawyer | Malay (mainland) | Indonesian |
| Minang | 30 years | F | 51 | Civil servant | Minang | Minang |
| Javanese | 19 years | F | 45 | Lecturer | Sundanese | Indonesian |
| Batak | 17 years | M | 43 | Teacher | Batak | Indonesian |
| Javanese (transmigrant) | 22 years | F | 29 | Home duties | Minang | Minang |
| Minang | 20 years | M | 21 | Labourer | Buton/ Javanese | Malay |
| Batak | 5 years | M | 38 | Engineer | Batak | Indonesian |
| Sasak | 4 years | M | 34 | Labourer | Malay | Indonesian |
| Javanese | 10 years | M | 31 | Military officer | Minang | Indonesian |
| Javanese | 8 years | M | 31 | Security guard | Javanese | Javanese |
| Acehnese/ Sundanese | 3 years | F | 30 | Home duties | Javanese/ Minang | Indonesian |

*Table 9.1 (continued)*

| Ethnic Group | Status of Residence | Sex | Age | Occu-pation | Ethnic Group of Spouse | Language Spoken at Home |
|---|---|---|---|---|---|---|
| **Insular Riau** | | | | | | |
| Malay | Mainland | M | 43 | Journalist | Malay (islands) | Malay |
| Malay | Islands | M | 40 | Contractor | (unmarried) | Malay |
| Malay | Mainland | M | 40 | Teacher | Malay (islands) | Malay |
| Malay | Islands | M | 37 | Civil servant | Malay (mainland) | Malay |
| Malay | Islands | M | 20 | Student | (unmarried) | Malay |
| Minang/ Javanese | Riau-born | M | 50 | Taxi driver | Javanese | Malay |
| Minang/Batak | Riau-born | M | 48 | Bank employee | Malay (islands) | Indonesian |
| Bugis | Riau-born | M | 43 | Petty trader | Malay (mainland) | Malay |
| Javanese | Riau-born | F | 33 | Home duties | Riau-born Bugis | Malay |
| Batak | Riau-born | M | 32 | Restaurant owner | Malay (islands) | Malay |
| Javanese | 38 years | M | 62 | Retired navy | Chinese | Indonesian |
| Minang | 30 years | M | 53 | Retired army | Javanese | Indonesian |
| Batak | 22 years | M | 47 | Petty trader | Batak | Indonesian |
| Minang | 17 years | M | 50 | Salesperson | Minang | Minang |
| Palembang | 15 years | M | 39 | Political activist | Malay (islands) | Indonesian |
| Acehnese | 6 years | M | 42 | Business | Sundanese | Indonesian |
| Javanese | 6 years | F | 35 | Business | Riau-born Javanese | Malay |
| Batak | 2 years | M | 30 | Internet café operator | (unmarried) | Indonesian |
| Javanese | 3 years | M | 27 | House painter | (unmarried) | Malay |
| Minang | 4 years | M | 25 | Trader | Minang | Minang/ Malay |

*Table 9.2 Distribution of Population by Ethnicity, 2000 Census*[a]

| Population of Riau | Total (no.) | Malay (%) | Java (%) | Minang (%) | Batak (%) | Flores (%) | Banjar (%) | Bugis (%) | Sunda (%) | Other (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Mainland** | | | | | | | | | | |
| Pekanbaru | 568,146 | 27 | 15 | 38 | 10 | – | – | – | 1 | 7 |
| Dumai | 120,498 | 24 | 18 | 31 | 16 | – | – | 1 | 1 | 8 |
| Other urban | 582,460 | 34 | 15 | 21 | 9 | – | 5 | 1 | 1 | 4 |
| All rural | 2,484,381 | 43 | 31 | 3 | 5 | – | 6 | 3 | 2 | 7 |
| Subtotal | 3,755,485 | 39 | 26 | 12 | 7 | – | 5 | 2 | 2 | 7 |
| **Insular** | | | | | | | | | | |
| Batam | 415,750 | 18 | 28 | 16 | 16 | 2 | 1 | 2 | 3 | 5 |
| Other urban | 344,134 | 38 | 23 | 7 | 4 | 1 | 1 | 2 | 2 | 22 |
| All rural | 239,807 | 71 | 12 | 1 | 1 | 1 | – | 2 | 2 | 11 |
| Subtotal | 999,691 | 37 | 22 | 9 | 8 | 1 | 1 | 2 | 2 | 6 |
| **Total** | 4,755,176 | 38 | 25 | 11 | 7 | – | 4 | 2 | 2 | 10 |

a These figures do not account for the children of interethnic marriages, as the census defines ethnicity paternally. The percentages do not sum to 100 in the original source data.

*Source*: BPS Propinsi Riau (2001), *Hasil Sensus Penduduk 2000 Seri L.2.2.4.4.,* Pekanbaru: BPS Propinsi Riau, pp. 34–40.

## CLAIMS TO PLACE IN AN ETHNICALLY DIVERSE PROVINCE

Resource-rich Riau incorporates not only part of the Sumatran mainland but also thousands of islands scattered over hundreds of thousands of square kilometres of ocean. It has long had one of the most ethnically heterogeneous populations in Indonesia (Table 9.2). As a consequence, the debate about citizenship in Riau is very different from that in provinces in which claims to place are accompanied by clear, ethnically based definitions of who is – and who is not – entitled to make them. The semantics here are instructive. Unlike the *orang Jawa,* for whom place and ethnicity are identical, or the *orang Sumatra Barat,* for whom place is a clear synonym for ethnicity, the question of who can call themselves *orang Riau* is strongly contested. For many, belonging – rather than ethnicity – lies at the heart of identity.

The Malays, who originally came from the islands – along with the Suku Laut (maritime people) and the mainland's indigenous non-Malay tribes, including the Talang Mamak, Akit, Hutan, Sakai and Bonai peoples (Djatmiko 1993: 35) – are widely considered to be indigenous to the province.[1] Malays and indigenous non-Malay tribespeople are not the only ones to make claims to place in Riau, however. As its mainland borders were drawn in a seemingly arbitrary manner, the province incorporates the homelands of significant numbers of Minangkabau (the dominant ethnic group in West Sumatra) and Batak (the ethnic group mostly associated with North Sumatra). In addition, Riau has long been the destination of migrants from other parts of the archipelago and from abroad, and the rate of intermarriage has been high.

In recent decades, Batam's population alone has risen from 6,000 in 1973 (BIDA 1998: 8) to over 400,000, and the province's population as a whole has more than doubled since 1980. On the mainland, as a result of transmigration, the Javanese are the dominant group of migrants in traditionally Malay rural areas (Tirtosudarmo 1990), while Bataks are strongly represented on plantation holdings. Pekanbaru and Dumai are essentially Minangkabau, or Minang, towns. In the islands, where the Bugis were a historically influential migrant community, the dominant contemporary migrant groups are the Javanese, Minang and Batak – although migrants from Flores are more visible than the statistics suggest. Mainland and insular Riau are also home to large numbers of Chinese, who mostly live in the islands and the coastal cities of the mainland (GOI 1999: 14).

## SEPARATISM AND SOVEREIGNTY

Riau's wealth, demography and geography are important in defining the tensions between the province's separatist movement and its opponents (see Bach,

*Table 9.3 GDP of Riau by Industry and as a Proportion of National GDP, 1997–99*

| Industry | 1997 | | 1998 | | 1999[a] | |
|---|---|---|---|---|---|---|
| | (Rp million) | (%) | (Rp million) | (%) | (Rp million) | (%) |
| Agriculture, livestock, forestry and fisheries | 1,903.8 | 2 | 3,674.0 | 2 | 4,570.9 | 2 |
| Mining and quarrying | 14,537.8 | 26 | 24,858.9 | 21 | 27,744.7 | 25 |
| Manufacturing | 4,792.4 | 3 | 6,536.0 | 3 | 7,619.5 | 3 |
| Electricity, gas and water | 113.4 | 1 | 149.9 | 1 | 175.3 | 1 |
| Construction | 831.8 | 2 | 972.1 | 2 | 1,155.7 | 2 |
| Trade, hotels and restaurants | 1,909.4 | 2 | 2,863.7 | 2 | 3,335.7 | 2 |
| Transport and communication | 707.2 | 2 | 1,029.3 | 2 | 1,196.4 | 2 |
| Finance, rent and business services | 1,173.7 | 2 | 1,565.7 | 2 | 1,178.4 | 2 |
| Services | 895.6 | 2 | 1,118.7 | 1 | 1,582.6 | 2 |
| **Total** | 26,865.2 | 4 | 42,768.3 | 4 | 48,559.3 | 4 |

a Preliminary figures.

*Source*: BPS (2002b); BPS Riau (2002a).

forthcoming), and between the mainlanders and the islanders over the ongoing push for a separate province for the islands.

Free Riau (Riau Merdeka), the Malay separatist movement, emerged soon after the fall of Soeharto on the university campuses of Pekanbaru, under the leadership of Tabrani Rab. It came to national attention when the group proclaimed Riau a sovereign state on 15 March 1999. Given the province's rich resources, the separatists preferred to conceive of Riau becoming an autonomous political entity in a pan-Malayan world stretching across the straits of Malacca to the north, rather than south towards Java. Before the timber boom of the 1980s, Riau had been the wealthiest of the Indonesian provinces, contributing some 60 per cent of national oil production as well as being an important source of bauxite and tin (Butar-Butar 2000). In recent decades the focus

has shifted from mining to manufacturing and tourism in the islands, particularly on Batam, where the central government encouraged foreign investment in manufacturing. Meanwhile, mainland Riau became Indonesia's largest producer of pulp and paper and a major player in the palm oil industry, while remaining Indonesia's premier source of oil (Soetrisno and Dewanta 1993; Butar-Butar 2000) (Table 9.3).

Riau now has the third highest per capita GDP in Indonesia after East Kalimantan and Jakarta, and the third highest gross regional GDP outside of Java (BPS 2002b, 2002c). In 2000, it is estimated to have accounted for 23 per cent (US$11,012 million) of Indonesia's total export income and 28 per cent of the country's oil revenue (BPS Riau 2002a, 2002b). Yet while Riau has earned billions of rupiah for the central government and for the provincial elite, its people have received little benefit from their province's wealth (Rice 1989: 134; Rusli, Sumardjo and Syaukat 1996). Economic development has been strongly centred around Pekanbaru, with the focus on extractive and primary industries favouring investors from other parts of Indonesia or abroad. Yet, according to some estimates, over 40 per cent of the population live below the poverty line and only 16 per cent have a high school education (Djasit 2001). In the words of one local inhabitant, for the average person, living in Riau is akin to suffering from starvation while sitting on top of a milch cow (interview with Tabrani Rab, Pekanbaru, June 2002).

Just as the physical and symbolic distance between Jakarta and Riau defines the relationship between core and periphery, so too does the distance between the mainland and the islands. For the proponents of a separate province in the islands (which would be called Kepulauan Riau, or Kepri), the lure of independence is outweighed by the spectre of continuing dominance by the mainland. Instead, they contend that insular Riau can best achieve sovereignty in the post-Soeharto era by standing alone, free of the authority of Pekanbaru, as an independent province within Indonesia.

Although the idea of Riau as a region with its own identity has a long history in the islands (Wee 1985: 66; Wee and Chou 1997: 528), the formal existence of Riau as a separate province is relatively new. At the time of Indonesian independence, most of the mainland – including Pekanbaru and many of the islands close to the Sumatran coast – was part of the residency of East Sumatra, while its western and southern extremities were subsumed by West Sumatra and Jambi respectively. It was only in 1958 that Riau acquired its present form. When the seat of provincial power was shifted from Tanjungpinang to Pekanbaru soon after, the islands were forced into a new relationship with the mainland. With the exception of Batam, the islands received little attention from New Order development planners, and the people of insular Riau were forced to rely on Pekanbaru – or, in the case of Batam, on Jakarta – for the provision of government services and community facilities.

Vivienne Wee has argued that Riau Malays have sought to answer the question of 'who owns Riau' through a process of atavism, or politically motivated ethno-historical claims (Wee 2002: 17). Her insight is a powerful one that has currency beyond the island Malays among whom she carried out her research. Elite Malay discourse on mainland Riau is also imbued with a strong sense of history of former Malay greatness (Al Azhar 1997: 767). Political separatists and cultural assimilationists alike draw on the past when defining the present, albeit with very different results. In seeking sovereignty, the separatists aim to reconstruct the glory of earlier times when Riau was at the centre of the Malay world rather than on the periphery of a Java-centric Indonesia. They promote an exclusive form of Malay sovereignty that leaves little space for other groups long established in Riau:

> In demographic terms, the people who live in Riau now come from many tribes, but politically, it is important to return to the past, to history – Malays deserve political priority because we own this place. We must be masters of our own house. Newcomers need to adjust to our visions, to our dreams – they must remember that someone owns this land. We don't want to go forward from our position at the end of the Soeharto era – we want to go forward from where we were at the end of the nineteenth century (interview, Riau Merdeka supporter, Pekanbaru, June 2002).

In contrast, Tenas Effendy of the Malay Cultural Institute (LAM) emphasises that Malayness itself was created by a process of acculturation (*akulturasi*) among a heterogeneous population over centuries. Problems have arisen, he argues, because of increasing materialism and the corresponding loss of traditional values. Whereas people once came to Riau with the philosophy, *dimana bumi dipijak, disitu langit dijunjung* ('where our feet touch the earth is where we hold up the sky'), in recent decades that philosophy has become *dimana bumi dipijak, disitu tanah dikapling* ('where our feet touch the earth is where we subdivide the land'). In response, he says, Malays have drawn new boundaries, excluding groups who 'previously felt themselves to be *orang Riau*' (interview with Tenas Effendy, LAM, Pekanbaru, June 2002). Malay resentment about the unequal distribution of economic and political power has taken a very concrete form in recent years. Malay militia groups have made threats against Caltex and a number of other large companies operating in Riau over issues of inadequate compensation. Ethnic tensions have also risen. Outbreaks of physical conflict have occurred between ethnic groups both on the mainland and in the islands – most, although not all, involving Malays.

Riau Merdeka lost much of its momentum when Al Azhar replaced Tabrani, who traded in his local credibility for a place on the central government's Regional Autonomy Council. Popular support for the organisation softened further as Riau gained access to a larger proportion of its provincial income and Malays were preferentially appointed to political positions and some civil ser-

*Figure 9.1 Interview Respondents' Opinions about Regional Autonomy*[a]

| | Malay | | Other Riau-born | | Long-term Resident | | Short-term Resident | |
|---|---|---|---|---|---|---|---|---|
| | Mainland<br>1 2 3 4 5 | Islands<br>6 7 8 9 10 | Mainland<br>11 12 13 14 15 | Islands<br>16 17 18 19 20 | Mainland<br>21 22 23 24 25 | Islands<br>26 27 28 29 30 | Mainland<br>31 32 33 34 35 | Islands<br>36 37 38 39 40 |
| Has heard of autonomy | X X X X X | X X X X X | X X X X X | X X X X X | X X X X X | X X X X X | X X X X X | X X X X X |
| Understands autonomy | X X X | X X X X X | X X X X X | X X X X | X X X X | X X X X | X X X X | X X X X X |
| Supports autonomy | X X X | X X X X X | X X X X X | X X X X X | X X X X | X X X X | X X X | X X X X X |
| Supports Kepri | X | X X X X | X | X X X X X | | X X X X | | X X X X X |
| **Supports regional autonomy because of:** | | | | | | | | |
| Economic benefits | X X | X X X X X | X X X X X | X X X X | X X X X | X X X | X X | X X X X X |
| Political benefits | | X X X X X | X X X X X | X X X X | X | X X X | X X | X X X X X |
| **Worried about:** | | | | | | | | |
| Corruption | X | | | | X X | | X | |
| Rising cost of living | X X | | | | X | | X | |
| Government priorities | X X | X X | X | X | X X | X | X | |
| Malay power | | | X | | X X | | X | |
| Ethnic conflict | | | X | | X | | X | |

a There were five respondents in each category (numbered 1–40 in the column headings). A cross indicates that the respondent's definition of *orang Riau* included the characteristic described in the left-hand column.

vice posts. Although many representatives of Minang, Batak and Malay ethnic organisations continue a strong discourse of interethnic tolerance (interviews, June 2002), the issues raised by Riau Merdeka are echoing long and loud. Most important among them is the question of who can lay claim to citizenship in Riau, and consequently to the economic and political benefits promised by regional autonomy.

## COMMUNITY RESPONSES TO REGIONAL AUTONOMY AND RIAU'S GEOGRAPHIC DIVIDES

How entrenched are the divisions between geographical regions and ethnic groups among grassroots communities in Riau? To what extent does public rhetoric predict the future of the province? Regional autonomy was widely supported by interview respondents in both Pekanbaru and Tanjungpinang (Figure 9.1). In fact, only two respondents who understood what autonomy meant were opposed to it – a serving army officer and a retired navy officer, both of whom were Java-born Javanese.

The most common reason given for supporting regional autonomy was the expectation that it would redress the imbalance between Riau's resources and the welfare of its people. Conversely, a perceived decline in economic welfare underpinned some respondents' desire for a return to the stability of the New Order period. A number of informants – particularly those involved in government, or in businesses that dealt with government – believed that there was already evidence of improvements in Riau's economy. Examples cited included new buildings in Pekanbaru, an increase in salaries for civil servants and improved opportunities for public scrutiny of development projects. Many more who could not point to actual improvements to date were nevertheless optimistic that these would be realised sooner rather than later. Both mainland and island respondents were generally supportive of the central government's decision to concentrate economic and political decision-making power at the *kabupaten*/*kota* (district/municipality) level, because local decision-makers were perceived as being more in touch with the needs of their constituents, and more accountable to them.

In contrast, there was a clear division on the question of establishing a separate province for the islands. Most mainland respondents were either against or indifferent to the idea of splitting Riau. The mainlanders who opposed the formation of Kepri generally did so because they believed Riau's influence would wane and that the mainland would suffer economically if the division were to proceed; a small number felt that the new province would be overly vulnerable to Singaporean interests. In contrast, in the islands it was felt almost unanimously that having a separate province would be beneficial. Reasons

*Figure 9.2 Interview Respondents' Definitions of Orang Riau*[a]

| | Malay | | Other Riau-born | | Long-term Resident | | Short-term Resident | |
|---|---|---|---|---|---|---|---|---|
| | Mainland<br>1 2 3 4 5 | Islands<br>6 7 8 9 10 | Mainland<br>11 12 13 14 15 | Islands<br>16 17 18 19 20 | Mainland<br>21 22 23 24 25 | Islands<br>26 27 28 29 30 | Mainland<br>31 32 33 34 35 | Islands<br>36 37 38 39 40 |
| **An orang Riau is someone who is:** | | | | | | | | |
| Malay | X X X X X | X X X X X | X X X X X | X X X X X | X X X X X | X X X X X | X X X X X | X X X X X |
| Riau-born | X X X X | X X X X X | X X X X X | X X X X X | X X X X | X X X X | X X X X | X X X X X |
| A long-term resident | X X X | X X X X X | X | X X X X X | X X | X X X | X X X | X X X |
| A short-term resident | X | X X | X | X X | X | X | X X | X X |
| **An orang Riau:** | | | | | | | | |
| Contributes to Riau | | X | X X | X X X | X | X X | X X | X |
| Feels a sense of belonging | X X | X | X X X X X | X X X | X X X X | X X | X X X | X X |
| Understands Malay culture | X | X X X | | | | | | X |
| Understands the Malay language | | X | | | | | | X |
| Belongs to Islam | | | X | | | | | |

a There were five respondents in each category (numbered 1–40 in the column headings). A cross indicates that the respondent's definition of *orang Riau* included the characteristic described in the left-hand column.

given for supporting the push for a separate province ranged from practical considerations, such as minimising bureaucracy and improving community services, to questions of cultural disparity.

Most informants in Tanjungpinang believed that the islands had been neglected by the provincial government because of their distance from Pekanbaru and because of a lack of understanding about conditions in the islands. Three Malay respondents pointed to the difficulties associated with having to travel to Pekanbaru to organise documents and permits, and a fourth argued that the mainlanders did not understand the needs of those in the islands. The fifth Malay, a mainland-born teacher who had been posted to Tanjungpinang, was one of only two islanders who did not support the formation of a separate province in the islands. Non-Malay informants born in the islands all had strong feelings about the need for a separate province. Two pointed to the practical considerations of transport and bureaucracy. A third emphasised the different ways mainlanders and islanders interact socially, and a fourth the differences in language and culture. According to the fifth, the islanders wanted to demonstrate their own identity, which was more closely aligned to Malaysia than to mainland Riau.

According to one man, the differences between the islands and the mainland were a product of history and the islanders' ties to neighbouring countries:

> Even though they are all Malay and they're all related, they are separated by the sea, so their historical journeys have been different. Because Kepri is so close to Malaysia and Singapore, they have a close relationship [with Singaporeans and Malaysians] and many have intermarried. On the mainland, they have been more influenced by Minang culture (interview, long-term resident, Tanjungpinang).

Other long-term and short-term residents gave similar reasons for supporting an independent province for the islands.

## QUESTIONS OF BELONGING AND CONTESTED CLAIMS TO PLACE

On one level, debate over the right to call oneself *orang Riau* is defined by a struggle for economic resources. On another, however, it represents a struggle for belonging. While respondents were quick to point to economic issues as the root of ethnic tension, the sense of betrayal and hurt felt by many mainland non-Malays in the face of perceived Malay chauvinism was also clear. Despite this, most respondents in Pekanbaru and Tanjungpinang believed that people born in Riau, as well as Malays, could make claims to place (Figure 9.2). Understandably, short-term residents were least often included in the definitions of *orang Riau.* It is of note, however, that one-quarter of respondents believed that even

those who had been in the province for just a few years had the right to call themselves *orang Riau* if they could demonstrate their commitment to the province and felt that they belonged there. In the words of one newcomer, reflecting on the perspective of non-Malays in general, 'no matter where they're born, if they feel that they belong here, they call themselves *orang Riau*'.

On the whole the islanders provided more inclusive definitions of *orang Riau*, and felt that interethnic relations were more stable in the islands (with the notable exception of Batam) than on the mainland. In contrast, in Pekanbaru there was a general feeling that ethnic divisions have grown in recent years, a development that was seen to be closely associated with the push for regional autonomy. In the words of a Malay informant:

> With autonomy, people's feelings of regional identity got stronger. Some Malays started saying, 'these ethnic groups are outsiders', even though they've been here a long time and intermarried, and consider themselves Malay (interview with Malay informant, Pekanbaru, June 2002).

Malay claims to exclusivity were also commented upon by a Riau-born Minang respondent:

> Feelings about ethnicity have gotten much stronger since regional autonomy. Each tribe wants to promote itself. Especially the Malays – they no longer want to accept that we're *orang Riau.* But Riau's not a tribe, it's a place. We were born here, brought up here. We are *orang Riau* (interview with Riau-born Minang informant, Pekanbaru, June 2002).

None of the islanders was concerned about excessive Malay power, but mainlanders frequently invoked stereotypes about Malay inferiority and were concerned about the opportunities for rent-seeking behaviour under regional autonomy. Less than a quarter of mainland informants were worried about Malay aspirations *per se*, but many more noted that, as *putra daerah* ('sons of the region', or local inhabitants), Malays had made significant attempts to gain preferential access to jobs and resources. While only seven islanders and just five mainland respondents emphasised a contribution to Riau as a criterion for claims to place, almost all mainland respondents mentioned the extent to which non-Malays had contributed to Riau's development. Although most believed Malays should be given positions ahead of members of other ethnic groups if they met merit-based criteria, they criticised their ability and accused them of being lazy and proud: 'When it comes to work, they choose jobs where you get a lot of money for not much effort' (interview with Riau-born non-Malay, Pekanbaru, June 2002). A number also highlighted their concerns about increased corruption and the emergence of *raja-raja kecil* – a phrase that in Riau both literally means 'little kings' and is a play on the Malay title, *raja*.

Although the adoption of Malay culture was a prerequisite for valid claims to place for only a few informants, many non-Malays in both Pekanbaru and Tanjungpinang emphasised how they had been influenced by local customs and values – in doing so, shifting away from their inherited cultural norms and weakening their links to their ancestral homelands. In the islands, the relatively successful assimilation of non-Malays was a source of security and a sense of belonging, but in Pekanbaru, perceptions of Malay exclusivity had caused considerable anxiety among those who felt they had no other place to go – most notably among Riau-born non-Malays, but also many long-term residents.

> If I go back to my parents' village, the people there don't accept me. They say I don't know *adat* [tradition] – that I'm an outsider because I'm from Riau. That's never mattered to me before, because I've never wanted to be from anywhere but here. But if we can no longer call ourselves *orang Riau*, where can we go? (interview with Riau-born non-Malay, Pekanbaru, June 2002).

This fear of displacement is strongest among mainlanders of non-Malay interethnic background or in non-Malay interethnic marriages – that is, among those whose children are the furthest removed from ethnically defined claims to place in Riau or elsewhere. In the words of one Riau-born respondent, who was clearly distressed by threats to his own and his children's sense of place:

> Our children have the blood of four ethnic groups – Sundanese, Javanese, Minangkabau and Acehnese. One was born in Pekanbaru and the other in Jakarta. If they won't accept the one born in Jakarta, well, I can understand that, but what about the one born in Pekanbaru? Is she Malay, or Minang, or Javanese or Sundanese or Acehnese … or does she have no place? (interview with Riau-born non-Malay, Pekanbaru, June 2002).

The most obvious silence among informants was on the subject of religion. Yet while only one respondent identified belonging to Islam as a criterion for being an *orang Riau*, those explicitly advocating the adoption of Malay culture were implicitly imposing Islam as a condition of belonging. The Batak people, who comprise the largest Christian community in Riau, are the group most clearly excluded on the grounds of religion. Yet only two of the seven respondents of Batak descent mentioned tension or discrimination against Bataks on religious grounds.

One – a man who had lived in a primarily Muslim neighbourhood for almost two decades – gave concrete examples from everyday life, such as having to pay higher prices for kerosene because he was not a Muslim. He believed that he and his family had no choice but to accept such discrimination because the Bataks were identified as being Christian, and Christians were a minority group. Even so, both he and his wife felt that they belonged in Riau, and had no desire to return to North Sumatra. The other Batak who mentioned religion –

himself a Muslim – pointed out that many of the violent incidents that had taken place in Riau had been directed against Bataks. He noted that a number of those incidents had been about practices that impinge on Muslim sensibilities, such as gambling and the drinking of alcohol, and about the building of a large number of churches – a development which he interpreted as a cynical Batak strategy for taking control of traditional Malay land.

Nevertheless, all respondents felt that ethnic relations were better in Riau than in Indonesia as a whole. When questioned about the interethnic incidents that had occurred in recent years, they pointed to underlying economic disparities or personal disagreements, rather than ethnicity itself, as the root cause of conflict. Only three respondents, all from Pekanbaru, were worried about the possibility of serious ethnic conflict in the province.

## CONCLUSION

How far can Indonesia be reshaped into a series of ethnically defined homelands? What are the consequences of such a process for its people? The case of Riau is instructive for Indonesia as a whole as it struggles to define itself in the era of regional autonomy. Overall, my informants' responses suggested that while ethnic conflict could certainly increase in Riau, the likelihood of a major escalation has been overstated.

This does not mean that ethnic relations should not be taken seriously. According to representatives of Minang, Batak and Malay ethnic organisations interviewed in June 2002, the provincial government and community leaders have already taken steps to deal with the symptoms of conflict by forming emergency response teams to deal with outbreaks of violence on a case-by-case basis. However, such outbreaks are likely to continue unless the economic and affective root causes of conflict are addressed. There is no argument for returning to the suppression of ethnic identity, but the path ahead will be a rocky one indeed if ethnicity becomes the overriding criterion for determining access to resources and claims to place.

## NOTES

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1 In public discourse, these non-Malay indigenous tribes are subsumed in the category 'Malay'.

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# 10 THE PRIVATISATION OF PADANG CEMENT: REGIONAL IDENTITY AND ECONOMIC HEGEMONY IN THE NEW ERA OF DECENTRALISATION

*Minako Sakai*

Since the fall of President Soeharto in May 1998, Indonesia has gone through drastic political, economic and social change accompanied by a problematic process of democratisation. The decision to implement regional autonomy from January 2001 showed a clear recognition that regional interests needed to be reflected in policy-making processes. Under decentralisation, regional governments were given the power to determine their own policies, except in defence, foreign policy and some other limited areas. The preparatory period for the implementation of regional autonomy was short, leaving unresolved many legal issues related to the authority of the various levels of government, and much of the detail of power sharing between Jakarta and the regions.

Moreover, in the post-Soeharto era, long-suppressed local elites have sought to capture important government positions and strengthen the political position of the *putra daerah* ('sons of the region' or indigenous ethnic groups).[1] In response to the complications arising from decentralisation, Jakarta has proposed amendments to the regional autonomy laws. So far, however, none have been passed.

This chapter will explore the impact of regional autonomy on regional resource management through a case study of West Sumatra's Padang Cement Company (PT Semen Padang), part of the Gresik Group. In order to deal with Indonesia's mounting national debt, the central government decided to sell Gresik to Mexico's Cemex Group as part of a privatisation program initiated under instruction from the IMF.

Semen Padang uses nearly 2.7 million hectares of land traditionally owned by the Nagari Lubuk (Nagari Luki) community as *hak ulayat* (a customary and communal right to land). The planned privatisation would involve the sale of this land, which is located in and around the city of Padang, to a foreign company. This is prohibited under the customary law (*adat*) of the indigenous

Minangkabau people. The decision to privatise Semen Padang enraged local elites in West Sumatra, who demanded that the company be spun off from the Gresik Group and continue to operate as a state-owned company. Political tension heightened when the provincial parliament endorsed a statement in November 2001 allowing Semen Padang to operate under the supervision of the provincial governor. The case of Semen Padang therefore provides a good case study to shed light on two important issues in post-Soeharto Indonesia: the complexities of regional elite politics, and the position of *hak ulayat*.

In this chapter I will examine first whether the conflict surrounding the proposed privatisation of Semen Padang can be traced to the regional autonomy program and newly emergent regionalism as the hegemony of Jakarta is eroded. I will argue that although the conflict was initially triggered by the central government's decision to privatise the company, the complexities of the situation have been aggravated by internal regional elite politics in West Sumatra. In the process Jakarta, as well as international forces such as the IMF and Cemex, have been shrewdly manipulated and dragged into a virtually impenetrable web of regional conflict and elite politics. Second, I will highlight the complexities of post-Soeharto regional politics. With the collapse of the authoritarian regime, local elites are playing a significant role in politicising ethnicity and identity to gain new power in the regions. Thus how we understand contemporary politics in Indonesia no longer derives only from analyses focusing on relations between the centre and the regions, but also from analyses of the power dynamics of local elites themselves (van Klinken 2002).

## OVERVIEW OF SEMEN PADANG

Semen Padang was established on 18 March 1910 as NV Nederlandsch Indische Portland Cement Maatschappij (NV NIPCM). It is the oldest cement plant in Indonesia. It started production in 1911 with an output capacity of 22,900 tons per annum. Of the raw materials used to make cement (limestone, silica stone, clay and iron sand), limestone deposits are to be found at Bukit Karang Putih while silica stone is mined at Bukit Ngalau. Both are located on communal land in Padang owned by Nagari Luki. In the expectation that they would benefit from the business opportunities created by the plant, the members of the community agreed to let the Dutch use the land in return for an annual fee.

Output reached 170,000 tons per annum in 1939. During the Japanese occupation (1942–45), Asano Cement Japan managed the plant. When the Republic of Indonesia declared its independence in 1945, employees took control of the company and handed it over to the government of the republic, renaming it Kilang Cement Indarung after the hill in Padang where it was located. During

the subsequent revolutionary war (1945–49), the Dutch again regained control of the company, calling it NV Padang Portland Cement Maatschappij (NV PPCM).

Under Presidential Decree No. 50 of 5 July 1958 on industrial and mining companies owned by the Dutch, the company was nationalised. Thereafter it was managed by the Managing Council for Industrial and Mining Companies (Bappit), a central government body. In 1961 the plant became a state-owned company called PN Semen Padang,[2] and in 1972 a limited liability (commercial) state-owned company, PT Persero Semen Padang.[3] Under a decision issued by the Ministry of Finance in 1995, the central government amalgamated three state companies, PT Semen Gresik, PT Semen Padang and PT Semen Tonasa, to form the Gresik Group.[4] In effect this was a state-enforced acquisition of the latter two companies by Semen Gresik, undertaken in the hope that the consolidation would improve their business performance. As the amalgamation took place during the New Order period, any opposition to the merger by local communities would not have been tolerated.

In July 1998 the central government decided to privatise the Gresik Group, in part because of the perception that cement was no longer a strategic commodity. The privatisation proposal was made amid worsening economic conditions as part of a recovery strategy devised by the IMF. In August 1999 Mexico's Cemex Group bought a 25.5 per cent stake in the Gresik Group. It also gained the right to appoint two members to the board of management and veto power in important areas of company decision-making. The state continued to hold a controlling interest of 51 per cent in the group, with the general public owning the remaining 23.4 per cent.

Semen Padang currently employs 2,469 people. Its main product is portland cement, an increasing proportion of which is exported (Table 10.1). Apart from the employment opportunities it has provided, it is evident that local communities feel a strong affection for the plant, developed over its long history – a line from a local song even refers to the cement plant at Indarung. Semen Padang sponsors many social and cultural activities in West Sumatra and owns a soccer team. It is widely believed that the provincial government has helped the company out financially when business was not going well. And, as discussed below, when Semen Padang faced the possibility of bankruptcy in August 2002, the citizens of West Sumatra, including those now living in Jakarta, were quick to raise Rp 20 billion to secure its future.[5]

## CONFLICT BETWEEN THE CENTRAL GOVERNMENT AND THE PROVINCIAL GOVERNMENT

The central government's attempts to privatise Semen Padang brought it into

*Table 10.1 Production Volume of Semen Padang, 1994–2000*

| Year | Production (tons) | Share Exported (%) |
|---|---|---|
| 1994 | 2,947,460 | 5.5 |
| 1995 | 3,164,373 | 4.2 |
| 1996 | 3,344,489 | 9.1 |
| 1997 | 3,374,985 | 11.1 |
| 1998 | 3,464,024 | 27.3 |
| 1999 | 4,002,163 | 48.1 |
| 2000 | 4,501,845 | 35.8 |

*Source*: PT Semen Padang.

immediate conflict with the provincial government of West Sumatra. Members of the provincial parliament as well as the governor were strongly opposed to the proposed sale of the company, and even to its continuation as part of the Gresik Group, both because Semen Padang was so closely associated with everyday life in West Sumatra and on the grounds that selling an important asset to a foreign company would be against the national interest. In January 2000, when then President Abdurrahman Wahid visited Padang, local elites lobbied strongly for a spin-off of Semen Padang. The president agreed to this proposal but, despite a series of suggestions and agreements, no concrete action was taken (Baswir et al. 2001a: 18).

The conflict generated by the question of the future of Semen Padang attracted much attention and was reported widely in the national media. The press has tended to view the opposition of the provincial government to the central government's decisions on Semen Padang as a sign of re-emergent regionalism made possible by the implementation of regional autonomy.[6] The provincial government, on the other hand, has depicted itself as defending a national asset from sale to a foreign company.

The conflict reached a peak in November 2001 when 11 of the 13 factions in the provincial parliament, including the Indonesian military and police, endorsed a statement (*maklumat*) signed in the name of the people of West Sumatra by five prominent local citizens representing the National Council of Indonesian Youth (KNPI), the Indonesian Council of Ulama (MUI), the Forum of Adat Associations of the Minangkabau World (LKAAM), the Association of Indonesian Muslim Intellectuals (ICMI) and the women's organisation Bundo

Kandung.[7] Dated 31 October 2001, the statement issued the following four claims.

- From 1 November 2001 Semen Padang will come under the authority of the West Sumatran people. It will be surrendered to the West Sumatra provincial government and will operate under the scrutiny of members of the provincial parliament. Eventually Semen Padang will be split off from the Gresik Group and return to being a state-owned enterprise operated by the government of the Republic of Indonesia.
- Management, members of the board and employees of Semen Padang will report to the provincial government and provincial parliament of West Sumatra.
- Management will disseminate the content of this statement to the relevant institutions, including banks and creditors, affirming that the company will continue to operate as usual.
- Further technical issues that arise will be handled in the best possible way according to proper procedure.

It is interesting to ask to what extent the five signatories of this announcement did in fact represent all of the people of West Sumatra, as they claimed. The KNPI was the youth wing of Golkar, the former ruling party of the New Order regime, and is regarded as a pro-government institution. The West Sumatran women's organisation Bundo Kandung was also established by the New Order. The LKAAM is an association of the *adat* communities (*nagari*) of West Sumatra, each of which has its own independent executive forum. The head of this body does not have the authority to make decisions affecting individual *nagari*. The signatories from the MUI and ICMI did not canvass the opinions of members before signing the statement. How much actual support the signatories had from the various layers of West Sumatran people therefore remains an open question.

The legality of the statement was also questionable, since neither the governor nor the provincial government held shares in the company and therefore had no legal right to make decisions concerning its future. It is of interest that these doubts about the legality of the announcement of the takeover of Semen Padang by the West Sumatran governor and government have never been debated in public. Nevertheless, the provincial government quickly moved to set up a special team to investigate the implementation of a spin-off of Semen Padang. Consisting of several members of the provincial government and headed by Deputy Speaker Titi Nazief Lubuk, the team was funded through a special allocation of Rp 300 million (about A$60,000) from the provincial budget.

Some members of the provincial parliament have warned that there could be

a move to engineer the secession of West Sumatra from the Republic of Indonesia if the spin-off does not eventuate. For example, Afrizal, head of the Justice and Unity Party (PKP) faction in the provincial parliament, has been quoted as saying that there is no longer any bar to prevent the younger generation of Minangkabau people from taking action to initiate the establishment of West Sumatra as a separate country, and that the lack of political will from the central government is 'sowing the seeds of disintegration'.[8] So far, however, secessionism remains a minority view.

The announcement of 31 October 2001 failed to produce an immediate response from Jakarta. At last, in April 2002, the Minister for State-owned Enterprises sent a letter[9] to the parent company, Semen Gresik, calling for the board and executive of both Semen Padang and Semen Tonasa to be replaced.[10] The provincial government responded by asserting that the current management would remain in place until its period of office had expired. If Jakarta insisted on a new management team, it warned, this would result in the damaging situation of Semen Padang having dual management.[11]

This incident led to another statement on 6 May 2002, popularly known as the 'Declaration of the Big Clock' after the clock tower in Bukit Tinggi near where it was signed. In it, all 15 of West Sumatra's *bupati* and mayors (district heads) declared their support for the demands of the people for a spin-off of Semen Padang from the Gresik Group, and for the efforts of the governor to implement the announcement of 31 October 2001 by taking control of Semen Padang.

The situation became even more tense when, on 7 May 2002, the head of the task force on Semen Padang set up by the Padang municipal government received a fax of a letter signed by the Deputy Minister for State-owned Enterprises, Muhmuddin Yasin, stating categorically that a spin-off of Semen Padang would not take place. The authenticity of this letter was questioned by politicians and academics in West Sumatra, as it seemed suspicious that it should be sent only to the Padang municipal government. Titi Nazief Lubuk later confirmed with the minister that it was not a decision but simply a note taken during a meeting. Why it was sent to the municipal government of Padang, however, remains a mystery.[12]

According to Titi Nazief Lubuk, the main objections of the provincial government to the planned privatisation of the Gresik Group are two-fold. First, because Semen Padang had no choice but to merge with Semen Gresik in 1995, it should not be included in the planned sale to Cemex. Rather, as a national asset, it should revert to its original status as a fully state-owned enterprise. And second, Semen Padang is located on *hak ulayat* land traditionally owned by Nagari Luki. According to Minangkabau tradition such land – including the assets located on it – cannot be sold.[13]

The need to preserve customary land is one of the reasons most commonly

given for keeping Semen Padang in the hands of the state. For example, in March 2002 the head of the LKAAM said that he had signed the October 2001 announcement because the sale of *hak ulayat* land was not allowed under traditional law and would lead to the erosion of Minangkabau *adat*.[14] However, despite the public perception that Semen Padang exploits communal land traditionally owned by Nagari Luki, no government body has attempted to establish the legal status of the *hak ulayat* land used by the company. According to a national project on *hak ulayat* currently being undertaken by the National Land Agency (BPN),[15] land that has been legally appropriated or owned by a legal entity is no longer considered communal land (Sakai 2002: 43–4). If the provincial and district governments of West Sumatra were to contest this assessment and claim that the land used by Semen Padang was still affected by *hak ulayat*, this would significantly affect the recognition of customary land rights throughout Indonesia.

West Sumatra has taken the initiative in investigating the existence of communal land, so its reluctance to act in the case of the land used by Semen Padang is hard to understand. The implementation of regional autonomy in the province has been marked by a revival of the traditional kinship-based territorial units known as *nagari*, with district governments in the province making efforts to document and return their assets to them. In line with the BPN project, there has been a move to draft a regional government regulation whereby all land whose 'rights of use' (HGU) had expired would be returned to the original owners, although this has yet to be discussed by the regional legislature. Under current rules, land on which such rights have expired reverts to the state; in other words, it is no longer recognised as *hak ulayat* land belonging to the traditional owners.

The speaker and deputy speaker of the provincial parliament admit that the *hak ulayat* issue is only an entry point for negotiations with the central government over the future of Semen Padang.[16] Despite the emphasis on the existence of *hak ulayat*, the main goal of the government seems to be to achieve a spin-off, and the land issue is considered secondary to that. For instance, there was no internal meeting of LKAAM members before the October 2001 announcement on Semen Padang was issued, nor was the head of the local *adat* council of Nagari Luki consulted, even though it is generally acknowledged that the plant uses much of the community's *hak ulayat* land.

Local elites in the provincial parliament insist that a spin-off of Semen Padang must be realised before the land claims of Nagari Luki can be dealt with. In stark contrast to their position, an economist from the University of Andalas, Syafruddin Karimi, has stated that the only way to achieve a spin-off will be to legalise the existence of *hak ulayat*, because it is generally acknowledged that such land cannot be sold.[17] To confuse the issue further, Semen

Padang claims that the company is the owner of the land where its silica deposits are located, not Nagari Luki.[18]

These contradictory responses to the issue of the ownership of the land occupied by Semen Padang raises the fundamental question of why the elites in the provincial government are taking the lead in pursuing a spin-off without dealing first with the fundamental issue of the existence of *hak ulayat*.

## CONFLICT BETWEEN THE PROVINCIAL GOVERNMENT AND THE MUNICIPAL GOVERNMENT OF PADANG

Although the provincial government of West Sumatra has been the main player in the push for a spin-off of Semen Padang, the municipal government of Padang reached the view that, because the company is located within the city boundaries, any issues involving Semen Padang should properly be handled by it. It therefore formed its own task force on Semen Padang, headed by Makmur Lubuk. The approach of the task force has been to contact all parties – including the Ministry of State-owned Enterprises, Cemex and Nagari Luki – in an effort to find the best solution to the issue of the plant's future.

The municipal government also objects to the 'voluntary contribution' of around Rp 5 billion each year that Semen Padang makes to the provincial government budget, arguing that the company should pay only legitimate taxes. The Padang city government itself collects a quarry tax on the limestone mined by Semen Padang of about Rp 13.5 billion per year.[19] It passes on Rp 1 billion of this to Nagari Luki, to be used to improve the standard of living of the community. According to the city government, under the present regional autonomy arrangements there is no need for the provincial government to be involved at all in financial or political issues related to Semen Padang.

## CONFLICT BETWEEN SEMEN PADANG AND NAGARI LUKI

It is not only between the different levels of government that conflict has been evident; Nagari Luki itself is in dispute with both the provincial and municipal governments, as well as Semen Padang, over payment for the use of its land. It has been demanding that Semen Padang make direct monetary payments to the community, rather than indirectly through the taxes the company pays to the municipal government. It is unhappy with the small share of mining taxes it receives in return for the access it has provided to the raw materials on its land over the plant's long history (see appendix Table A10.1).

Nagari Luki has strong grounds for its dissatisfaction. According to

Minangkabau tradition, communal land cannot be sold. This is recognised in the various arrangements made over the years to compensate traditional owners for the use of communal land.[20] During the period of Dutch ownership of Semen Padang, for example, the people of Nagari Luki received regular direct payments which they could use to improve their standard of living.

The struggle to squeeze payment out of Semen Padang and the municipal government of Padang began with the fall of Soeharto in 1998. By 2001, two teams had been established within Nagari Luki to deal with issues involving Semen Padang. The goal of the first was to press for payments that, according to Nagari Luki, the municipal government had failed to make between 1997 and 2000. The other team was formed to focus on all other issues related to Semen Padang, including the coordination of demonstrations.

According to the people of Nagari Luki, the current management of Semen Padang is worse than that of the Dutch. They claim that management has largely ignored their claims for compensation and refused to negotiate on their other demands. Nagari Luki presented Semen Padang with the following list of demands on 26 September 2001, that is, shortly before the October 2001 announcement demanding a spin-off. Note that no reference to a spin-off is made in this list.

- From January 2002, Semen Padang is asked to make a monthly payment to Nagari Luki of Rp 5 per kilogram of cement produced.
- Residents of Nagari Luki should be given priority in employment with Semen Padang. The selection of employees should be made jointly by Nagari Luki and Semen Padang.
- Semen Padang should make a 'sweat payment' to Nagari Luki (in addition to compensation for crops and trees) for the use of 412.03 hectares of communal land located at Karang Putih, because the community invested time and money in cultivating the land before it was appropriated by Semen Padang.
- The exploitation of limestone deposits at Karang Putih should be carried out by members of Nagari Luki.
- Semen Padang should appoint Nagari Luki as one of its distributors.

The gist of the reply from Semen Padang was that payment of compensation for the land at Karang Putih had been concluded with a payment made on 14 June 2000; that it would not pay Rp 5 per kilo of cement because there was no legal basis for this charge; and that Semen Padang was already paying tax to the Padang municipal government for the extraction of limestone and silica taken from the company's own land.

According to Nagari Luki, the payment of Rp 1.7 billion made in June 2000 was 'compensation for crops and trees'. The people feel that the sweat they

have shed on the land should be paid for as well, so the reply from Semen Padang does not meet their expectations in this respect. Furthermore, the response shows that Semen Padang now takes the view that the land surrendered by Nagari Luki is the property of the company. In September 2001 Semen Padang did offer to give Nagari Luki a trial period of six months in which to distribute 3,000 tons of cement. The people felt that the trial period was too short for them to invest their resources in setting up a business and getting it on track.

Originally, Nagari Luki was in favour of the proposal to spin off Semen Padang, based in particular on the belief that *hak ulayat* land should not be sold. However, the attitude of management in refusing to deal with the community's demands has pushed it towards the pro-Cemex camp. At a demonstration in Padang in June 2002, members of Nagari Luki and others expressed their support for a change in management as demanded by the central government. Ironically, its hard-line stance has made Nagari Luki appear a traitor to the popular cause of securing the future of Semen Padang as a West Sumatran and national asset.

## CONFLICT BETWEEN CEMEX AND SEMEN PADANG

Cemex Asia currently owns a 25 per cent stake in the Gresik Group, the largest of Indonesia's cement-producing conglomerates. It would like to expand its market network in Asia by increasing its stake to 75 per cent. Privatisation offers a good opportunity for it to do this.

Cemex's interest in buying into the company runs counter to the wishes of Semen Padang's management and employees, who are strongly in favour of a spin-off of the company. Semen Padang has so far compiled two volumes of polemical papers on the issue of a spin-off (Baswir 2001a, 2001b), while also issuing a monthly bulletin that is circulated among employees. Both the employees association and the union support the spin-off proposal. Currently 10 per cent of the monthly salary of employees is deducted to support the cost of action taken in support of a spin-off, including trips to Jakarta to lobby central government officials.

According to an anonymous leaflet circulated widely in Padang, the reasons for supporting a spin-off include the need to defend a national asset that is closely linked to West Sumatra; to prevent the possibility of an increase in the price of cement, as happened after a similar takeover in the Philippines; to prevent mass lay-offs of employees as a result of privatisation; and to prevent acquisition by an 'unfair, cruel foreigner' (a reference to Lorenzo H. Zambrano, the president of Cemex).

In the current atmosphere, no one at Semen Padang would dare criticise

either the spin-off movement or the management. Remarkable evidence of this was demonstrated in the fate of a school teacher at a primary school operated by the Igasar Semen Padang Foundation, which is sponsored by Semen Padang. Though strictly speaking the teacher was not an employee of Semen Padang, when in May 2002 he publicly demanded that the current management of the company be replaced in accordance with the decision of the Minister for State-owned Enterprises, he was summarily sacked from his job.

## CONFLICT BETWEEN SEMEN PADANG AND SEMEN GRESIK

The deteriorating relationship between Semen Padang and its parent company became evident in August 2002 when Satryo, the CEO of Semen Gresik, invited Padang city parliamentarians to a meeting to discuss the subsidiary's financial situation. He informed them that Semen Padang was facing bankruptcy after incurring losses of Rp 35 billion, whereas both Semen Tonasa and Semen Gresik were making a profit.[21] This was offered as evidence of the low quality and inefficiency of Semen Padang's management team. The company disputed this assessment, however, stating that profit in 2002 was expected to exceed that in the previous year.

Shortly after this Satryo sent a letter to PT Bank Mandiri – which had agreed to refinance Semen Padang's debt – advising against the deal because it had not been endorsed by Semen Gresik. On 13 August 2002 the bank withheld Rp 500 billion from Semen Padang, bringing it close to bankruptcy; a payment of Rp 200 billion to Jamsostek Company and US$23 million to ABN Amro would come due on 15 August.

Faced with this crisis, Semen Padang managed to raise Rp 100 billion to pay half of its debt to Jamsostek, and to reschedule the remainder without borrowing from PT Bank Mandiri. The funds were contributed by West Sumatrans inside and outside the province who were concerned about the position of the company.[22] Naturally enough, Semen Padang viewed the handling of this issue by Semen Gresik as a conspiracy to bankrupt it.[23]

## CONFLICT AMONG COMMUNITY MEMBERS

Most newspaper articles appearing in the local press have supported the proposal of a spin-off, viewing it as 'non-negotiable' (*harga mati*) for West Sumatrans. Of the various other publications in favour of a spin-off, two books published in 2001 are good examples. The first, published by the Padang Press Club (2001), explains why West Sumatrans should fight for a spin-off. The second, published in Jakarta, provides an account of the 'sins' committed by

Cemex (Lubis, Thamrin and Kusfriadi 2002). It depicts Cemex as having deliberately manoeuvred to split Minangkabau society in order to achieve its own goals.[24]

In the popular press, 'pro-Cemex' has become a shameful label attached to those who do not care about the great national asset located in West Sumatra. Ironically, however, this label has been extended to the people of Nagari Luki simply because they do not wish to cooperate with the spin-off movement.[25]

It was around May 2002 that some public questioning of support for the spin-off first appeared. One example is an anonymous publication that is not available in bookstores but has been circulating widely in Padang (Anonymous 2002). The book states bluntly that the real reason for the spin-off movement, despite being conducted in the name of the people of West Sumatra, is that privatisation would threaten the personal business interests of certain influential people. It claims that those who had amassed money from corruption were afraid that the new privatised business structure would destroy the lucrative business opportunities available to them. The spin-off movement was a way to maintain the status quo among business networks and others who were benefiting from the present set-up, including members of parliament. The book also claims that many of those demonstrating in favour of a spin-off were employees of Semen Padang who were being paid Rp 50,000 (A$10) per day for their efforts (p. 39).

An attempt to discuss systematically the status and legality of the announcement of 31 October 2001 was made at a seminar scheduled for 6 June 2002 in Padang. Titled 'Transparency, Legality and the Implications of the Announcement by the People of West Sumatra regarding PT Semen Padang', the seminar was attended by invited academics, mainly from Jakarta. (A representative of the Ministry for State-owned Enterprises was invited but did not attend.) It was widely perceived that this group would have a pro-Jakarta bias.

Towards the end of the opening ceremony, student representatives of the West Sumatra Student Forum for Communication (FKMSB) interrupted proceedings. They claimed that the seminar lacked neutrality and was intended to discredit the October announcement. Despite the fact that the seminar was supposed to be purely academic in character, the students objected to the absence of any of the members of parliament who had been directly involved in making the announcement.[26] This led to a clash between the organiser and the students. Shortly afterwards, a group of approximately 100 members of Pemuda Pancasila (Pancasila Youth) occupied the venue, shouting 'Long Live Pancasila!'. According to the leader of the group, they just happened to be staying at the same hotel in preparation for their own regional meeting in July. As a result of the disruptions – which forced participants to endure two moves and a series of threatening phone calls – the seminar was postponed indefinitely.

This incident shows that there is very little room for open discussion of the spin-off movement in West Sumatra, despite the fact that not everyone supports the proposal.

## CONCLUSION

Many people hold the view that the conflict surrounding Semen Padang derives from the euphoria accompanying the implementation of regional autonomy. The view that the long-neglected regions of Indonesia are now trying to grasp the opportunity to resist the hegemony of Jakarta, with people in the regions hastening to exert control over resources in their territories, does not exactly reflect the reality of the situation in West Sumatra.

It is true that the conflict originated in Jakarta's decision to merge Semen Padang with the Gresik Group, and then to privatise it without the consent of West Sumatrans. However, the way in which the conflict has subsequently spread and expanded shows that deeply rooted internal divisions within and between various groups and institutions in West Sumatra are currently the main driving forces. External players such as Cemex and the central government are only brought into the web of conflict when local players are seeking to strengthen their own positions. The current situation suggests that the conflict has been aggravated and prolonged by internal regional politics in West Sumatra, with each party aiming to maximise its own share of the profits.

As I have said elsewhere (Sakai 2003), in post-Soeharto Indonesia intra-regional politics has been among the major sources of conflict leading to the creation of new provinces, such as the province of Bangka-Belitung. The case of Semen Padang also illustrates that regional politics provides the key to understanding the complexity of the current political situation in a decentralised Indonesia. Such case studies clearly demonstrate the significance of intra-regional politics in manipulating outside forces, including the central government and international agencies, to secure the interests of some regional groups over those of others.

During the New Order period, the hierarchical nature of the power structure was reflected in relations between Jakarta and the periphery (Malley 1999). Little attention was paid to political dynamics at the regional level (van Klinken 2002). In contrast to the situation under the New Order in which the centre was Jakarta and the rural leadership was controlled by the state (Antlöv 1995: 7–10), in post-Soeharto Indonesia there are 'multiple attempts to be the center and there are multiple peripheries' (Wee 2002: 27). Consequently, it is intra-regional politics that will hold the key to finding solutions to future conflict.

## NOTES

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1 For an example of the struggle of the *putra daerah* to regain control of their traditional lands, see Widen (2002) on the Dayaks of Central Kalimantan.
2 Under Government Regulation No. 135/1961.
3 Under Notary Letter No. 5 of 4 July 1972.
4 Under Ministry of Finance Decision No. S-236/MK.016/1995 of September 1995.
5 'Orang Minang Siap Tebus Semen Padang', *Republika*, 15 August 2002.
6 'Program Privatisasi Sering Dibenturkan Pada Nasionalisme', *Kompas*, 31 January 2001.
7 The five signatories were Kandris (head of the KNPI), Mansur Malik (head of the West Sumatra branch of the MUI), Datuk P. Simulie (head of the LKAAM), Shofwan Karim Elha (deputy secretary of the West Sumatra branch of the ICMI) and Nur Ainas Abizar (head of Bundo Kandung). The statement was endorsed by Decision No. 13/SB/2001 of the West Sumatra provincial parliament, signed by Deputy Speaker Titi Nazief Lubuk on 1 November 2001. At the time, the local legislature was surrounded by about 1,000 people demonstrating in support of a spin-off of Semen Padang. See 'PT Semen Padang Resmi Diambil Alih', *Mimbar Minang*, 2 November 2001.
8 'Bila Tuntutan Spin Off Tetap Dianggap Sepi Oleh Pusat Tak Tabu Mendirikan Negara Sendiri', *Singgalang*, 19 May 2002.
9 Letter No. SR-294/M-BUMN/2002.
10 'Spin off Terancam, Meneg Minta Ganti Direksi dan Komisaris', *Singgalang*, 5 April 2002.
11 'Soal Semen Padang, Sumbar Lawan Laksamana Sukardi', *Singgalang*, 9 April 2002.
12 Interview with Titi Nazief Lubuk, June 2002, Padang.
13 Interview with Titi Nazief Lubuk, June 2002, Padang.
14 Interview with Datuk P. Simulie, head of the LKAAM, March 2002.
15 There are several kinds of communal land in West Sumatra. Ownership is through kinship units, which include *kaum* and *suku* as well as *nagari*.
16 Interview with the speaker, Arwan Kasri, and deputy speaker, Titi Nazief Lubuk, April 2002, Padang.
17 Interview with Syafruddin Karimi, Padang, 3 June 2002.
18 See, for example, the letter from Semen Padang to Nagari Luki dated 19 October 2001 (2212/KRE/SEKPR/10.2001).
19 This mining tax was introduced in 1997 based on guidelines for the mining and processing of Group C raw materials (Keputusan Walikota No 14/1999 tentang Petunjuk Pelaksanaan Peraturan Daerah No 27/1997).

20 For example, *siliah jariah* is a 'sweat payment' made to the owner of the land. The payer of *siliah jariah* acquires the right to use the land but ownership remains with the original holders. In this sense, *siliah jariah* needs to be differentiated from the compensation payment known as *ganti rugi*, under which the user does acquire ownership of the land. The sweat payments made by the Dutch to Nagari Luki are known locally as *bungo sirih*.

21 'Dewan Komisaris PT SP surati Dirut PT SG soal Berita Bohong', *Republika*, 5 August 2002.

22 'PTSP Akhirnya Terhindarkan Dari Ancaman Kepailitan', *Republika*, 16 August 2002.

23 'Semen Padang Tetap Akan Selesaikan Utang', *Republika*, 21 August 2002.

24 'Cemex Akan Terus Ciptakan Musuh Dalam Selimut', *Singgalang*, 18 March 2002.

25 'Tidak Benar Masyarakat Luki Mendukung Cemex', *Posmetro-Padang*, 1 June 2002.

26 Titi Nazief Lubuk says she would have gone to the seminar if invited (interview, 6 June 2002).

*Table A10.1 Data on Communal Land Traditionally Owned by Nagari Lubuk Kilangan and Used by PT Semen Padang*

| No. | Location | Area (hectares) | Remarks and Document Numbers | Allocation |
|---|---|---|---|---|
| 1 | Indarung | 7,441 | GS No. 3225/1985 | Clay deposit |
| 2 | Indarung | 7,830 | GS No. 5016/1987 | Clay deposit |
| 3 | Indarung | 23,331 | GS No. 160/1977 | Factory, road |
| 4 | Indarung | 0.638 | GS No. 2686/1985 | Clay deposit |
| 5 | Indarung | 16,472 | GS No. 656/1978 | Belt conveyor |
| 6 | Indarung | 31,898 | Brt Acr No. 21/PPT-GR/1982 | Belt conveyor |
| 7 | Indarung | 30,152 | Brt Acr No. 12/PPT-GR/1978 | Clay deposit |
| 8 | Indarung | 28 | Brt Acr No. 12/PPT-GR/1979 | Deposit, storehouse |
| 9 | Indarung | 45,660 | Sertifikat HM No. 106/1973 | Factory |
| 10 | Indarung | 506,400 | SK No. 610/172/BPN/1991 | Golf course |
| 11 | Indarung | 28,990 | GS No. 265/1993 | Open storehouse |
| 12 | Indarung | 10,950 | GS No. 285/1993 | Open storehouse |
| 13 | Karang Putih | 1,582,439 | GS No. 1195/1985 | Limestone |
| 14 | Karang Putih | 198,855 | GS No.1415/1982 | Limestone |
| 15 | Karang Putih | 20,650 | GS No. 3267/1985 | Area protection |
| 16 | Karang Putih | 0.792 | GS No. 4750/1986 | Office, road |
| 17 | Karang Putih | 7,925 | Brt Acr No. 16/PPT-GR/1985 | Limestone |
| 18 | Karang Putih | 43 | GS No. 3464/1986 | Limestone |
| 19 | Karang Putih | 37,390 | GS No. 3465/1986 | Limestone |
| 20 | Karang Putih | 21,620 | GS No. 1467/1986 | Limestone |
| 21 | Karang Putih | 8,610 | GS No. 1468/1986 | Limestone |
| 22 | Karang Putih | 5,060 | GS No. 3468/1986 | Limestone |
| 23 | Bukit Ngalau | 4,860 | GS No. 4751/1986 | Silica core |
| 24 | Bukit Ngalau | 4,310 | GS No. 4752/1986 | Silica core |
| 25 | Silo Batu Gadang | 1,763 | GS No. 4705/1997 | Factory, road |
| 26 | Silo Batu Gadang | 4.90 | GS No. 4706/1997 | Factory, road |
| | **Total** | 2,602,682 | | |

a The area of *hak ulayat* land still in dispute is 412.03 hectares.

*Source*: Nagari Lubuk Kilangan.

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# 11 COMING APART AND STAYING TOGETHER AT THE CENTRE: DEBATES OVER PROVINCIAL STATUS IN JAVA AND MADURA

*George Quinn*

The autonomy laws of 1999 were a product of many factors, foremost among them a strong reaction against what was perceived as the New Order's rigid centralism – a centralism that was damaging to the interests of the Outer Islands. Unexpectedly for some, the laws also brought into the open centrifugal movements directed against local centres *outside* Java. The creation of the provinces of Bangka-Belitung, Gorontalo and North Maluku were as much expressions of dissatisfaction with local centres (Palembang, Manado and Ambon respectively) as they were expressions of anti-Java or anti-Jakarta sentiment. Indeed, in some instances the move to create these provinces has necessitated the forging of new ties, or the strengthening of old ones, between the proponents of the new provinces and Jakarta (see, for example, Sakai 2003). Perhaps even more unexpected – and certainly little noticed so far in commentary on the decentralisation process – is the appearance of secessionist movements within the provinces of the 'central' island of Java itself. This chapter focuses on these movements, looking at the emergence and, ultimately, the fragility of provincial 'peripheries' on Java. It sketches the rationales advanced by secessionist activists in Banten, Cirebon, Madura and Surakarta. It also looks at the debate over the identity and basic institutional character of the Special Region of Yogyakarta. In all the cases described, commercial and political opportunism, not to mention brute personal ambition, has shaped the debates and campaigns. But these imperatives have ridden on the powerful tides of local history, identity and chauvinism. It is these forces above all that this chapter explores.

## BANTEN: THE RETURN OF THE *JAWARA*

With very little fanfare, the province of Banten officially came into existence on 4 October 2000. It was the first of Indonesia's post-New Order provinces

and the first to be created on the island of Java since 1950 when four were gazetted.[1] With its capital at Serang, some 70 kilometres to the west of Jakarta, Banten has a population of a little over eight million people. It consists of four *kabupaten* (districts), Tangerang, Serang, Lebak and Pandeglang, and two autonomous city governments (*kota*), Tangerang and Cilegon. These occupy the western extremity of Java and used to account for about one-fifth of the land area and population of the province of West Java.

On the face of it Banten has considerable economic resources and potential. The northern half of the province, stretching along the coast from the western outskirts of Jakarta to the Sunda Strait, encompasses the Sukarno-Hatta international airport, the light manufacturing area of Tangerang and the complex of steel and chemical plants at Cilegon. A major highway runs through the strip connecting Jakarta with Merak, the busy crossing point to Sumatra. Along the Sunda Strait to the south lies an area famous for its tourist attractions. Carita and neighbouring areas are fast developing as beach resorts for well-heeled customers from Jakarta. In the Sunda Strait lie the smouldering island of Krakatau and the getaway islands of Sebesi and Sangiang. In the southwest corner the Ujung Kulon National Park attracts visitors interested in the last remnants of Java's wild flora and fauna. In the hinterland the resolutely independent Baduy people offer a glimpse of a culture with direct links to Java's pre-Islamic past.

The desire for a separate province of Banten was not new. A widespread perception in the region that Banten is a distinct cultural and administrative entity had been inherited from Dutch colonial times when it was a separate residency (*karesidenan*) and was officially regarded as having unique attributes of character, history and social organisation.[2] In the late 1960s, during the turbulent early years of the New Order, a campaign was mounted to establish a province of Banten, but it failed.[3] With the downfall of Soeharto in May 1998 and the drafting of the autonomy laws under the Habibie administration, the issue of provincial status for Banten returned to the agenda. After the general election of 7 June 1999 and the subsequent convening of a new, democratically elected parliament, a special committee (*pansus*) was set up within the national parliament to draft an act for the formation of a province of Banten. With unequivocal support from the four district parliaments of Banten, and with the endorsement of President Abdurrahman Wahid's Minister of Home Affairs, Surjadi Sudirdja, a Bantenese, this was approved by the national parliament in May 2000. The province was formally inaugurated four months later.

Although the desire of the Bantenese to have more direct access to the economic resources of their region was one of the main engines driving the campaign for the new province, it was by no means the only, or even the main, consideration. The devolution of budgetary and policy powers to district administrations has weakened the notion of the province as the major locus of economic clout. It was historical–cultural factors that seem to have provided at

least as much impetus to the campaign as the desire for greater budgetary and political autonomy.

The elite of Banten had long nursed resentment at what they perceived to be neglect of the region by the West Java provincial administration in Bandung. Despite Banten's manifold economic assets, the four Banten districts remained among the poorest in West Java. People felt, according to one commentator, that they were ignored or accorded lesser status and treated like a 'stepchild' (*dianaktirikan*) in comparison with other regions of the province.[4]

There is widespread confidence that its new status as a province will help restore pride in Banten's heritage and identity, and this will give greater momentum to efforts to combat poverty in the region. Banten's unique identity is seen to reside in four main domains: its history, its religion, its language and the perceived special character traits of the Bantenese people.

The province of Banten is promoted as being heir to the great trading emporium of old Banten, the impressive fortified remains of which can be seen on the coast at Banten Lama some 20 kilometres north of Serang. In the 1500s Banten extended its sway over most of West Java and South Sumatra. It reached the peak of its commercial power in the mid-1600s when, with a population in the vicinity of 150,000, it was by far the biggest city and most important port in insular Southeast Asia (Guillot 1990).

Many Bantenese believe that the city of Banten played a key role in the dissemination of Islam on the island of Java. After its conquest by the Muslim state of Demak in 1527, Banten became a centre of Islamic piety and scholarship. Bantenese are especially proud of the ancient mosque in the centre of Banten Lama, which was probably built in its present form in the 1560s. Together with its adjacent holy tombs, it remains one of the most important centres of Islamic pilgrimage in Indonesia. Today, some regard Banten's new provincial status as a platform for the advancement of religious aspirations, including the implementation of *syariah* law.[5]

Language, too, has been an issue, albeit a relatively minor one. Besides Indonesian and Sundanese, Javanese is also spoken in Banten, especially in the Serang district and adjacent areas. Javanese speakers are proud of their distinctive local dialect, and in the past resented what they saw as anti-Javanese bias among officials in the Sundanese-dominated West Java provincial administration.

In the popular imagination Bantenese see themselves as independent-minded people. Some will proudly recite accounts of their ancestors' numerous rebellions against Dutch overlordship.[6] The Bantenese character is popularly embodied in the stereotype of the *jawara*.[7] Two hundred years ago this term seems to have signified a social category of irregularly employed young men (Sartono 1984: 504). During the innumerable rebellions of the nineteenth century, the *jawara* became mercenaries with leadership qualities and the courage

to defy the law. They were regarded as masters of magically tinged kungfu-style martial arts. The Dutch regarded them as bandits and criminals, but clearly they were seen by the Bantenese themselves in a more sympathetic, often romanticised, light.[8]

Today the term *jawara* is often applied loosely to village-level leaders and local strongmen allied with the Islamic establishment. The pro-Habibie Voluntary Security Guards (PAM Swakarsa) security squads that mobilised in the streets of Jakarta in late 1998, for instance, are reputed to have had many young Bantenese in their ranks, exemplifying the perception of Jakartans that Banten is a place of thuggish Muslim mercenaries. The extremist Islamic Defence Front (Front Pembela Islam), an offshoot of PAM Swakarsa, is said to have recruited significant numbers of Bantenese. Despite the problematic overtones embodied in the term *jawara*, the new province of Banten has been tagged Bumi Jawara (Land of the Jawara), both by its own people and by outsiders.

Ironically, but probably inevitably, since the establishment of the province some of its component districts have accused the new administration in Serang of neglect. In September 2002, for example, the governments of the city of Tangerang and the district of Tangerang complained bitterly that the provincial government had improperly withheld many billions of rupiah in development funds and flood rehabilitation funds. Within the city government there was even dark talk of secession from Banten.[9]

## CIREBON: WE ARE *NOT* SUNDANESE

The sudden re-emergence of a distinct, very assertive Bantenese identity, popularly embodied in the stock figure of the *jawara*, sent a frisson of insecurity through the Sundanese heartland in Bandung and on to the northern coastal region of Cirebon. For some West Javanese, the new province was an affront to the authority of Sundanese culture. It sparked debate in Bandung about the identity of what was seen as the suddenly reduced Sundanese homeland. Not only was West Java no longer the sole seat of the Sundanese-speaking people, it no longer even occupied the very western end of Java. In late 2000, suggestions appeared in forums of public debate that the province be renamed Pasundan, Sunda, Tatar Sunda or some other name that reflected the changed boundaries of the province and more pointedly expressed pride in Sundanese identity.[10]

This debate aroused an indignant response in the Cirebon region, where there is a strong sense of a distinct, coherent local identity very different from that of the Sunda highlands. The greater Cirebon region is usually perceived as encompassing the city of Cirebon and the districts of Cirebon, Indramayu, Majalengka and Kuningan, sometimes known by the ungainly acronym

Ciayumajakuning. A number of influential Cirebonese were not happy at the prospect of finding themselves in a province with a name that highlighted a Sundanese ethnic identity. As the long dry season of 2002 tightened its grip, concerns surfaced that Bandung was not treating the Cirebon area fairly. Iwan Hendrawan, chair of the Indramayu local legislature, complained that the government in Bandung had failed to help Cirebon and Indramayu deal with the drought. Bandung, he said, echoing the rhetoric of Bantenese chauvinists, had treated Cirebon 'like a stepchild'. Jabbing at a sore point, Iwan noted that the province of West Java no longer extended to the western end of Java. The province should more appropriately be called the province of Bandung, he said, referring less than subtly to West Java's shrivelled size and its new chauvinistic inwardness.[11]

In August 2002 an impressive line-up of around 100 local parliamentarians, business figures, aristocrats, clerics, artists, academics and youth figures met in Cirebon to discuss the possibility of forming a new province. The meeting was closed to the press, but it produced an up-beat vision of business prospects in an autonomous province. Oil and gas reserves in the Indramayu region, the busy port of Cirebon and the Penggung air base outside Cirebon were evidently seen as a viable foundation for the development of a more autonomous local economy. The meeting decided to canvass grassroots support for the idea,[12] but subsequently a clear split emerged in the region's political elite. The mayor of Cirebon, for example, publicly expressed scepticism, suggesting that the campaign to form a province was motivated by narrow political ambitions, and that in any case regional autonomy was about strengthening government at the city and district level, not at the provincial level.[13] At the end of 2002 the campaign for a province appeared to be losing momentum.

## MADURA: THE DREAM OF A BRIDGE

As the regional autonomy debate developed during 1999, voices were raised at the other end of Java calling for the formation of a province of Madura. Currently part of the province of East Java, the island of Madura consists of four districts: Bangkalan, Sampang, Pamekasan and Sumenep.

As in Banten, Muslim clerics played a significant role in initiating and shaping debate on possible provincial status. In December 1999 an organisation of clerics, Bassra, brought together the governor of East Java, Imam Utomo, three of Madura's four district heads (*bupati*) plus a wide array of clerics, local officials, parliamentarians, community leaders, young people and students in a gathering held at an Islamic boarding school (*pesantren*) near Sumenep. Ostensibly the meeting was to discuss the development of 'civil society' (*masyarakat madani*) in Madura but the specific issue of gaining provincial status for the

island dominated proceedings. The gathering delegated Bassra to form a 'small team' to prepare a plan for the formation of a province. This would be sent first to the island's four district legislatures for approval, and afterwards to Jakarta for further action.[14]

It appears that identity issues, whether cultural or religious, are not the main concerns behind the drive for provincial status. Madura has always been closely integrated, economically and politically, with the mainland of Java, especially the northeastern districts of East Java. In any case, more Madurese live in Java and other parts of Indonesia than in Madura itself.[15] It is mostly economic concerns that lie behind the campaign. A number of influential Madurese feel that the East Java government has long neglected their impoverished and resource-poor island. The four districts of Madura (together with that of Pacitan on the south coast of Java) are often described as the most intractably poor in East Java. Given this perceived neglect, it has been argued that provincial status could scarcely damage – indeed, could only improve – the island's economic prospects.[16] At the very least, it is said, a province of Madura might make it more attractive for 'expatriate' Madurese to increase remittances and invest more in their home region.[17]

Proponents of provincial status have raised the issue of the present lack of access by the Madurese to the region's natural gas wealth. The main centre of natural gas production in the area is the island of Pagerungan Besar, part of the district of Sumenep in the Kangean archipelago some 200 kilometres to the east of Madura proper.[18] Natural gas is piped over 400 kilometres from this site to Gresik near Surabaya. The people of Madura see little of the considerable wealth that the resource generates, but, local activists argue, this might be remedied if the island had provincial status.[19] Their proposals for light manufacturing to promote development on Madura are almost pathetically modest: the production of industrial salt, a fish-canning plant, and the manufacture of matches and toothpicks from mangrove wood.[20]

Investment in these and other projects is unlikely to materialise as long as Madura's only link to the mainland is the cumbersome ferry service between Kamal and Surabaya. The campaign for provincial status has been above all a strategy to bring closer the realisation of the dream of a bridge across the five kilometres of water separating Surabaya from the western tip of Madura. The Suramadu bridge,[21] as it is called, has acquired almost mythic status. For some Madurese, a separate province is the only administrative context to offer hope that a bridge might at last be built and industrialisation take off on the impoverished island. The campaign for a province seems already to have wrung some new promises on this project from the provincial government. In October 2002 the governor of East Java gave another undertaking that the bridge would be built. Its completion, he said, would make possible the relocation of Surabaya's congested container terminal to Tanjung Bumi on the Madurese side of the strait.[22]

The promise was packaged with a plan to renew the integration of Madura into the economy of East Java, revolving around the creation of a regional development authority modelled on that of Batam. Known for the moment as Pantudara – a composite of *pantai utara* (north coast) and Madura – the authority would develop a strategy for regional development centred on Surabaya and embracing the western end of Madura (the district of Bangkalan) as well as the regions on the north coast of East Java from Gresik to Banyuwangi.[23]

The idea has been greeted with general support and seems, for the moment, to have taken the steam out of the campaign for a new province. Certainly it is seen by provincial officials as a good strategy to counter calls for a breakaway province. Madurese activists, on the other hand, see it as a viable interim arrangement that could be a step towards ultimate provincial autonomy.[24] It will also placate those who, spooked by the birth pangs of Banten and the probable great cost of building new provincial infrastructure, see immediate provincial status for Madura as risky.[25]

## SURAKARTA: HAUNTED BY THE GHOST OF *SWAPRAJA*

In the course of the year 2000, a campaign emerged in Solo calling for the formation of a Special Region of Surakarta (Daerah Istimewa Surakarta).[26] Initially the campaign came from within the local elite: nobles associated with the city's Kasunanan and Mangkunegaran royal houses,[27] as well as academics, senior officials and business figures.

The immediate catalyst for the debate seems to have been concern about the region's economic plight. Solo's substantial light industrial sector, located mainly in a large complex on the eastern fringes of the city, had been hit very hard by the economic crisis (popularly known as the *krismon* or 'monetary crisis') that began in 1997. The social and political tensions triggered by the downturn turned into massive riots that devastated the centre of Solo on 13–14 May 1998. Economic and psychological recovery from these events has been (and remains) painfully slow.[28] As one observer has put it, the riots of 1998 have, among other things, reduced the sense of a commitment to a greater region. People have withdrawn to narrowly local linkages, even neighbourhood ties, rather than displaying pride in and commitment to a wider community.[29]

Various administrative and economic rationales have been advanced for the formation of a new special region.[30] Eyes have turned with envy to Surakarta's neighbour, the Special Region of Yogyakarta. Although the thought is largely unspoken, it is clear that special region status for Surakarta is regarded as a starting point in seeking to emulate the stability and relative prosperity of Yogyakarta. It would also allow the people of Surakarta to confront and reverse

some of what are felt to be the 'mistakes of history'. Indeed, although there is considerable talk of economic and administrative rationales, it is widely acknowledged that the most compelling reasons for changing the region's administrative status spring from its tangled history.[31]

Shortly after declaring Indonesia's independence in 1945, President Sukarno made offers of special autonomy (*swapraja*) status to Yogyakarta and Surakarta. In *Java in a Time of Revolution*, Benedict Anderson vividly describes the contrasting outcomes the offers produced. In December 1945 Yogyakarta's young sultan, Hamengkubuwono IX, invited the new republican government to make Yogyakarta its capital.[32] This had the effect of drawing opposition elements in the republican cause to Surakarta, Yogyakarta's age-old rival (Anderson 1972: 356). Popular disaffection with the Kasunanan and Mangkunegaran rulers in Surakarta, already palpable in the 1930s, had intensified during the Japanese occupation. In 1945 both Pakubuwono XII (head of the Kasunanan house) and Mangkunegoro VIII (head of the Mangkunegaran house) were very young and inexperienced. They were also heirs to a long history of acrimonious rivalry of a kind that had never stained relations between the Kasultanan and Pakualaman houses of Yogyakarta.

In the course of 1946 a complex crisis emerged in Surakarta, gripping the region with an intensity that can still be felt today. The offer of *swapraja* was greeted with hostility by the radical youth groups that had clustered with increasing assertiveness in the city. They rejected what they saw as an ineffectual, undemocratic model of government embodied in a *swapraja* that would be headed by Surakarta's traditional rulers. On 30 April 1946 the Susuhunan,[33] Pakubuwono XII, capitulated to their pressure,[34] issuing a statement surrendering his authority to the central government of the republic and opening the way for the Surakarta region to become a local residency with an executive body like any other (Anderson 1972: 358–9).

Fifty-five years later there was an almost eerie sense of history repeating itself. Out of the shattered centre and empty factories of Solo came the voices of an elite calling for special region status, in which Surakarta's aristocracy would be accorded the same institutionalised leadership role as the aristocracy of Yogyakarta.[35] Again the suggestion was greeted with resistance. The traditional rulers of Surakarta have evidently not rehabilitated themselves. There is a popular perception that the now very elderly Pakubuwono XII was hostile to the republic and even allied himself with Dutch interests during the revolution. At the very best the Kasunanan house is remembered as having been less than dynamic in supporting the republican cause.[36] The Mangkunegaran house is tainted by its very close association with the Soeharto family.[37] The suspicion is also widespread that special region status would give both royal houses easier access to funds for the renovation and upkeep of their extensive properties. Both have recently been embroiled in land disputes with businesses and indi-

viduals who are 'squatting' on what are claimed to be traditional royal lands.[38] It is clear that special region status might enable such disputes to be settled more quickly, to the advantage of the royal houses.[39]

In the course of 2001, the idea of a special region withered under public scepticism. It was, according to one newspaper report, 'a step backwards … with a whiff of nostalgia and feudalism about it'.[40] Nevertheless, just as in 1946 when the *swapraja* morphed into a *karesidenan*, so also in 2001 debate shifted from consideration of a special region to a more modest proposal for a province.

Even this idea is now struggling to find supporters. It seems to be regarded with particular indifference in the districts outside Solo where local officials are preoccupied with the task of getting their own administrations in order under the nation's new autonomy arrangements. As the grim realities of budgeting at the district level become clearer, few seem to be ready to commit themselves to the financial burden of a new province, let alone a new special region.[41] People are weary of uncertainty, and Surakarta's historical legacy is now being invoked in defence of the status quo. 'Mataram used to be united', says one observer, 'but it was broken up into a number of small kingdoms. If we go it alone now we will be recreating the divisions forced on us by colonial rulers'.[42]

## YOGYAKARTA: BEING 'SPECIAL' MEANS DEFENDING THE STATUS QUO

In the late months of 2002 the people of Yogyakarta found themselves embroiled in an unexpected debate that was threatening to become divisive. The previous April the government of the Special Region of Yogyakarta (Daerah Istimewa Yogyakarta) set about drafting a parliamentary bill, a 'Distinctiveness Act' (Undang-Undang Keistimewaan) that would define more precisely what was 'special' about Yogyakarta's status as a special region.[43]

It is certainly true that Yogyakarta's special status rests much more on its nationalist credentials and on administrative precedent than on any clear delineation in law.[44] In his famous statement of principle (*amanat*) dated 5 September 1945, Sultan Hamengkubuwono IX expressed Yogyakarta's support for the Republic of Indonesia. This was followed immediately by a letter from President Sukarno offering Yogyakarta special region status. Later that year, Yogyakarta responded with an invitation to Sukarno to make Yogyakarta the capital of the republic. When Sukarno took up the offer, it validated Yogyakarta's nationalist credentials and cemented an *ad hoc* acceptance of its status as a 'special region'.[45]

In effect, special status for Yogyakarta has related to just one feature of the territory's government: the right of Yogyakarta's traditional rulers, the Sultan and Sri Pakualam, to head the government of the region without being subject

to the normal processes of lobbying, selection and (more recently) democratic election required of governors in other provinces.[46] Essentially, the Sultan of Yogyakarta has been *ex officio* the governor of the territory and Sri Pakualam the vice-governor.[47]

The emergence of an assertive parliament in Jakarta, and in particular the robust process surrounding the election of Presidents Abdurrahman Wahid and Megawati Sukarnoputri, appears to have set alarm bells ringing in Yogyakarta. The proposed Distinctiveness Act seems intended, above all, to forestall any attempt by the national parliament to withdraw special region status for Yogyakarta or compel the territory to comply with laws requiring the provincial head of government to be elected democratically by the local parliament. In the official commentary (*penjelasan*) accompanying Law No. 22/1999 on regional autonomy, the special status of Yogyakarta is described as deriving from its role in the national struggle. This special status is manifested in the procedure for appointing the governor and vice-governor. The governor is to be appointed after considering candidates from the dynastic line of the Sultan of Yogyakarta, and the vice-governor is to be appointed after considering candidates from the Pakualaman line. Evidently the term 'considering' (*mempertimbangkan*) was seen in Yogyakarta as equivocal, not evincing a real appreciation of the essential role the traditional rulers play in Yogyakarta's 'specialness'.

There have been several suggestions (some of them bizarre) about how to resolve the contradiction between the hereditary right to rule on the part of the unquestionably very popular sultan on the one hand, and the right of any citizen to stand for office and to exercise a choice through parliament about who is to be the governor and vice-governor. Many consider it essential that there be an electoral contest for these offices. It has been suggested, for example, that multiple candidates be allowed, but that all be drawn from the Kasultanan or Pakualaman royal houses. Another suggestion is that anybody, whether noble or commoner, should be able to stand for the offices, but that in the balloting process 25 per cent of votes in the legislature should be reserved for the royal houses. This would require the royal houses to undertake a campaign to obtain the remaining 26 per cent of votes needed to get a majority. This arrangement, it is argued, would meet the 'cultural' imperative to accord appropriate deference to the traditional rulers, while at the same time fulfilling the 'democratic' aspect of the electoral process.[48] Such suggestions have made it to the draft Distinctiveness Act. Indeed, on the question of the offices of governor and vice-governor, the draft is brief and blunt. It reads (article 17, clause 1): 'The governor and the vice-governor are respectively the Sultan of Yogyakarta and Adipati Pakualam'.[49]

It should come as no surprise that in a city with a strong intellectual tradition and a vibrant student culture, the campaign has brought out opponents. The team drafting the legislation has mounted a wide, but carefully managed,

process of consultation involving village councils, parliamentary representatives, political parties, other mass organisations and NGOs.[50] This process has been questioned. One member of a loose coalition critically examining the Distinctiveness Act has attacked the consultation process, saying that it did not allow people to connect directly with the interests most directly involved, those of the palace. 'Get the palace involved, especially the sultan', he said, adding with ironic politeness, 'I am sure the sultan too is concerned that democratic ideals be upheld'. Other critics have spoken more forthrightly, calling on the sultan to use his huge authority, and the trust the community has in him, to further, rather than obstruct, the cause of democracy.[51]

As the year 2002 neared its close, the debate was intensifying and there was concern that it might become divisive. There was even a call for a moratorium on the consultation process until the terms of the debate could be corrected to take more account of the democratic aspirations of ordinary people. Ichlasul Amal, the respected former president (*rektor*) of Gadjah Mada University, appeared before the drafting team to express his concern that the Distinctiveness Act was shaping up to be a means of escaping the provisions of Law No. 22/1999. He warned that the issue had been discussed enough and that the proposed legislation was a threat to the nation-building drive of the new Indonesia.[52]

## CONCLUSION: NO MORE NEW PROVINCES

For the past three years the lure of new provincial status to resurrect the polities of the past has coloured political discourse in Java and Madura. But the time for new provinces now appears to have passed. As the radical provisions of the autonomy laws take effect, attention is shifting from the history-laden theatre of the province to the multitude of local stages embodied in district administrations. Here there is an emerging, equally history-laden, impatience with the whole idea of provincial government.

As the cases of Cirebon, Madura and Surakarta show, new provinces, at least in Java, appear to be off the agenda. In April 2002 the people of Grobogan, the region in Central Java between Solo and Demak, began to complain about the state of their highways. In some places more than 75 per cent of the asphalt on main artery roads had disappeared or was in a state of disrepair. Maintenance of these highways is the responsibility of the provincial government of Central Java. The Grobogan district government had asked the province for Rp 121. 2 billion to make repairs, of which just Rp 9.3 billion had been approved. Local people were becoming angry at the situation and, Grobogan officials claimed, investors were being scared off.[53]

Using a negotiating tactic that is now part of normal political discourse all

over Indonesia, a number of Grobogan officials attempted to pressure Semarang into raising its funding for local roads by publicly threatening secession. The tactic was crude, and a year ago it might have been effective. But the improbable idea of a province of Grobogan was greeted as dismissively in Grobogan as it no doubt was in Semarang. The deputy *bupati* of Grobogan, Bambang Pujiono, was scathing, urging his staff to put aside strident talk of provincial status and concentrate on patient negotiation within the present administrative and political structures.[54]

Even the existing provinces are receding in relevance. One of the features of Yogyakarta's draft Distinctiveness Act is the attempt it foreshadows to reserve to the special region government many of the policy-making and budgeting powers that, elsewhere in the country, are ceded to district governments. This has aroused vociferous objections, especially in the districts outside the city of Yogyakarta where local officials have begun to implement the autonomy laws of 1999. Services have already begun to improve, they claim.[55] If this is in fact true, neither local officials nor the rural population will quietly allow a provincial-level administration to snatch their new powers away from them.

## NOTES

1 By contrast, since 1950 the Outer Islands have been subjected to several major administrative reorganisations, most notably in 1956 and 1958 when a total of 13 new provinces were gazetted in Sumatra, Kalimantan, Maluku and Nusa Tenggara, and in the early 1960s when there was a comprehensive reorganisation on the island of Sulawesi which brought four provinces into existence. In Java, the Special Capital Region of Jakarta (DKI Jakarta) was formally gazetted in 1965.

2 See, for example, the Indies government's 'Bantam Report' (1928) in Benda and McVey (1960: 19ff).

3 I am not aware of the reasons for the failure of this campaign. A successful campaign to secede from the province of South Sumatra was mounted at about the same time by interests in Bengkulu. The province of Bengkulu was gazetted in 1967.

4 'Banten', *Republika*, 30 March 2001.

5 'Deru Jihad di Bumi Wali', *Risalah Darul Islam*, July 2000, http://www. geocities.com/ahmad_dir/islamindo/jihad_bumiwali.html, accessed 5 November 2002.

6 These rebellions are no figment of the popular imagination; see Sartono (1984: 168ff) and Michrob and Chudari (1993: 13).

7 The term *jawara* is cognate with the Indonesian *juara* (champion). It embodies the same qualities as those suggested by the Javanese term *jago* and the Malay term *pendekar*.

8 See, for example, Benda and McVey (1960: 30), in which a Dutch report on the 'disturbances' of 1926 notes that even if *jawara* in their characteristic garb were no longer in evidence, they could be found widely in 'men's hearts'.

9 'Pemerintah Provinsi Banten Dinilai Tidak Adil', *Kompas,* 19 September 2002.

10 'Sunda, Mempertanyakan Identitas Diri', UDD Online [Urban Design and Development Online], Institut Teknologi Bandung, http://psud.ar.itb.ac.id, posted 18 December 2000, accessed 5 November 2002.
11 'Wacana Pembentukan Provinsi Cirebon Menguat', *Kompas*, 10 July 2002.
12 'Wacana Provinsi Cirebon Terus Menguat', *Kompas*, 6 August 2002.
13 'Salah Kaprah, Usulan Cirebon Jadi Provinsi', *Kompas*, 1 April 2002.
14 'Persiapan Menuju Propinsi Madura', *Surabaya Post* (Serambi Madura), 11 January 2000; 'Gubernur Jatim Soal Propinsi Madura' *Surabaya Post* (Serambi Madura), 28 December 1999.
15 However, when I visited Madura in 2000 several people told me that, in light of the anti-Madurese violence in West Kalimantan in 1997, provincial status for Madura would give those living outside the island a stronger sense that they possessed their own homeland and a secure refuge.
16 'Tantangan Global Madura, Harapan Provinsi Madura', *Jawa Pos* (Radar Madura), 27 November 1999.
17 'Putra Madura di Luar Daerah Tidak Perlu Pulang', *Jawa Pos* (Radar Madura), 20 December 1999.
18 There are also undeveloped reserves of oil and gas in the Sampang and Pamekasan regions on the Madura mainland (see Rachbini 1995: 208).
19 The gas extraction facility is owned and managed by a consortium headed by BP. The pipeline is owned and managed by Pertamina and a company in the Bimantara group headed by former President Soeharto's son Bambang Trihatmojo ('Pipa Gas Pertamina di Pulau Pagerungan Aman', *Kompas*, 11 October 2002).
20 'Atur Strategi, Jangan Keburu Minta Provinsi', *Jawa Pos* (Serambi Madura), 20 December 1999.
21 Suramadu is formed from the names Surabaya and Madura, but the component parts also have their own resonant meanings: 'hero' (*sura*) and 'honey' (*madu*).
22 'Jembatan Suramadu untuk Majukan Madura', *Kompas*, 16 October 2002.
23 The Pantudara concept seems to have overtaken a previous scheme for collaboration in local development known as Gerbangkertosusila, a composite of Gersik (Gresik), Bangkalan, Mojokerto, Surabaya, Sidoarjo and Lamongan.
24 'Atur Strategi, Jangan Keburu Minta Provinsi', *Jawa Pos* (Serambi Madura), 20 December 1999.
25 'Pemerintah Provinsi Banten Dinilai Tidak Adil', *Kompas,* 19 September 2002; 'Gubernur Jatim Soal Propinsi Madura' *Surabaya Post* (Serambi Madura), 28 December 1999; 'Madura Butuh Sepuluh Tahun Lagi', *Jawa Pos* (Radar Madura), 28 December 1999.
26 Solo (also spelled Sala in modern Javanese orthography) is the popular name of the city. It was the name of the village chosen by Pakubuwono II, ruler of Kartasura, as the site of his new palace in 1745. Surakarta is the royal name for the city and its official administrative name. 'Surakarta' is also applied in a rough kind of way to the surrounding region. This region constituted the principality of Surakarta in colonial times and under the republic became the residency (*karesidenan*) of Surakarta (now defunct).
27 The senior house, the Kasunanan, traces its history in a direct line back to Panembahan Senopati, who founded the state of Mataram in around 1588. In 1755, under

the Treaty of Giyanti, what remained of a then much reduced Mataram was divided into two principalities: Surakarta and Yogyakarta. Two years later, in 1757, the Treaty of Salatiga established the principality of Mangkunegaran, which took in a patchwork of Kasunanan lands. The treaty permitted the building of a palace in the city of Solo within walking distance of the Kasunanan palace.

28 'Ekonomi Telah "Pulih" di Solo', *Kompas*, 19 February 2002.

29 'Solo Jadi Peta Kerusuhan', *Suara Merdeka*, 25 March 2002.

30 See, for example, 'Pembentukan Provinsi Surakarta', *Suara Merdeka*, 9 September 2002; 'Layak, Surakarta Jadi Provinsi', *Kompas*, 6 March 2002.

31 'Pembentukan Provinsi Surakarta', *Suara Merdeka*, 9 September 2002; 'Gusti Mangku Tanggapi Isu Provinsi Surakarta', *Suara Merdeka*, 30 January 2002.

32 Yogyakarta was the capital of the republic from 1946 until being occupied by the Dutch in 1948. Jakarta resumed its status as capital at the end of 1949 when the Dutch ceded authority to the new republican government.

33 'Susuhunan' is the special royal title borne by the hereditary rulers of Surakarta (just as 'czar' was the unique title given to the hereditary rulers of Russia). The title literally means something like 'he to whom you present your humble plea'.

34 This pressure had included the kidnapping of the Susuhunan, still in his teens, for several days in January 1946. On 19 April youth elements forced their way into the Kasunanan palace and 'compelled the Susuhunan to declare his readiness to surrender his authority to the people' (Anderson 1972: 357).

35 For example, Kanjeng Raden Tumenggung Sudi Yatmana, founder and head of the Javanese cultural organisation Permadani, made an impassioned argument for the establishment of a special region on the grounds that it would help sustain Surakarta as a 'treasury of culture' (*kosabudaya*) centred on (but not confined to) the Kasunanan and Mangkunegaran palaces. Echoing the rhetoric of 1946, he accused opponents of special region status of being leftists ('Susahnya Mencari Legitimasi buat Solo Istimewa', *Suara Merdeka Cyber News Minggu*, 17 February 2002).

36 'Susahnya Mencari Legitimasi buat Solo Istimewa', *Suara Merdeka Cyber News Minggu*, 17 February 2002; 'Banyak yang Salah Menilai Keraton', *Suara Merdeka*, 6 February 2002.

37 Soeharto's wife Tien (died 1996) was a distant member of the Mangkunegaran royal family. The Soeharto family's lavish mausoleum is on Mangkunegaran land adjacent to the main royal tomb of the Mangkunegaran rulers at Mangadeg on the slopes of Mount Lawu.

38 See, for example, 'BPN Surakarta: Baluwarti Milik Keraton', *Kompas*, 1 June 2002; 'Pemerintah Izin Dulu untuk Manfaatkan Tanah Keraton', *Suara Merdeka*, 10 October 2002; 'Perebutan Taman Sriwedari Meluas', *Pikiran Rakyat*, 10 August 2002; 'Setelah Mangkoenagoro Menyantap Ikan Korel …', *Kompas*, 18 May 2002.

39 Pemberton (1994: 181ff) describes how a fire that badly damaged the Kasunanan palace in 1985 provided Pakubuwono with an opportunity to reassert the traditional authority of the Kasunanan by exploiting its special links with the New Order government.

40 'Layak, Surakarta Jadi Provinsi', *Kompas*, 6 March 2002.

41 'Pembentukan Provinsi Surakarta', *Suara Merdeka*, 9 September 2002.

42 'Susahnya Mencari Legitimasi buat Solo Istimewa', *Suara Merdeka Cyber News Minggu*, 17 February 2002.
43 'Sultan: Belum Ada Kata Sepakat Soal Keistimewaan', *Bernas*, 3 September 2002.
44 'Keistimewaan Yogyakarta', *Kompas*, 12 June 2002.
45 Respect for the traditional rights of 'special regions' is somewhat vaguely enshrined in article 18 of the 1945 Constitution. Yogyakarta's status was further, but equally imprecisely, regulated in Law No. 22 of 1948, Law No. 3 of 1950 and Law No. 5 of 1974.
46 Yogyakarta came into existence under the Treaty of Giyanti (1755), which divided the remnants of the state of Mataram into Surakarta and Yogyakarta. The Pakualaman lands, a patchworks of lands excised from Yogyakarta, were created by the British in 1812. Like the Mangkunegaran house in Surakarta, the Pakualaman exists as a 'junior house' in Yogyakarta with its own palace in the suburbs of the city.
47 Between 1974 and 1984, when Sultan Hamengkubuwono IX was vice-president of Indonesia, Sri Pakualam was the de facto head of government in Yogyakarta. Following the death of Hamengkubuwono IX in 1988, Sri Pakualam was governor of Yogyakarta for 10 years until Hamengkubuwono X took over in 1998.
48 'Diusulkan, Sultan dan Paku Alam Punya 25 Persen Suara DPRD', *Kompas*, 13 May 2002.
49 'Orang Yogya Lebih Suka Memilih Referendum', *Kompas*, 23 July 2002.
50 'Draft RUU Keistimewaan Belum Atur Hak Rakyat', *Bernas*, 8 October 2002.
51 'Libatkan Keraton dalam Wacana Demokrasi, Stop Perdebatan Draft RUU Keistimewaan DIY', *Bernas*, 10 October 2002.
52 'Penyempurnaan Draft RUU Keistimewaan; Pansus Akan Panggil Pakar Lagi', *Kedaulatan Rakyat*, 18 December 2002.
53 'Perbaikan Jalan Provinsi Butuh Rp 121,2 M', *Suara Merdeka*, 19 June 2002.
54 'Wabup Tolak Wacana Grobogan Jadi Provinsi', *Suara Merdeka*, 15 June 2002.
55 'RUU Keistimewaan Yogyakarta Dihentikan Akan Menjadi Bumerang', *Kompas*, 12 October 2002.

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# 12 CHANGING THE CULTURAL LANDSCAPE OF LOCAL POLITICS IN POST-AUTHORITARIAN INDONESIA: THE VIEW FROM BLORA, CENTRAL JAVA

*Amrih Widodo*

On Saturday, 5 December 1998, at about 7 p.m., hundreds of people started to gather in the southern part of Blora around the house of Eddy Kosasih, a Chinese merchant who was the largest fertiliser retailer in the district. Attached to his house were a pharmacy and a warehouse containing tons of fertiliser. As the crowd formed, passers-by stopped to watch. News of a possible riot spread fast throughout the town, causing the curious to wonder what was about to happen in their normally peaceful town.

By the time the police arrived at just after 8 p.m. it was too late to calm down the masses. The crowd already numbered in the thousands and emotions were running high. At 8.20 p.m., shouting loudly, they approached the house, broke down the iron gate and began to ransack the compound. They looted and destroyed the warehouse, taking fertiliser, seed, pesticide and other equipment, and burned two trucks loaded with fertiliser. The action did not stop until almost 1.00 p.m. the following day when the army arrived to help the police. On the same evening, a fertiliser warehouse about 10 kilometres to the west of Blora belonging to the Banjareja Kecamatan Cooperative was also ransacked. Interestingly, not a single person was hurt in the mass action. No one was arrested.

The riots continued for three more days. Although fertiliser depots remained the main target, the rioters also attacked shops, especially those along the main roads belonging to Chinese merchants. When the mob swarmed to the police station to demand the release of three rioters detained on 7 December, the police had little choice but to release them without charge. The military, however, took firmer measures, shooting at rioters with rubber bullets when they began to threaten property. By the evening of 9 December the situation was under control, although the atmosphere remained tense. Shop owners took the precaution of removing portable merchandise such as electronic appliances and clothing from their shops. All shops and warehouses storing fertiliser were guarded by

the security apparatus but were left open to make sure that what was inside was on public display.

The fluctuating price and unreliable availability of fertiliser was the main factor in the rioting and looting of 1998. This had been of grave concern to farmers since the Asian financial crisis began in 1997. Although a decree by the Trade and Industry Minister (No. 378 of 1998) stated clearly that only government-licensed cooperatives and outlets were allowed to sell subsidised fertiliser, at the fixed price of Rp 22,500 per 50-kilogram bag, state functionaries and village officials frequently sold it at higher prices, while the cooperatives often ran short.[1] Officials also often embezzled the credit payments they collected from farmers for fertiliser, pesticide and high-yielding seed varieties. The problem reached a peak in November 1998 when the fertiliser subsidy was terminated. By early December, the price for a 50-kilogram bag had reached Rp 50,000–75,000, at a time in the planting cycle when farmers had to fertilise their rice fields to keep their plants alive.

The mass action on 5 December turned out to be efficacious: fertiliser was immediately made available to local farmers, at the subsidised price. More importantly, the riot had given the Bloranese an authentic, albeit brief, experience of altered power relations. For a short time, the old certainties of the New Order had been turned on their head. If the riot left a traumatic memory for the townsfolk and civil servants, the farmers and youths experienced it as a moment of effervescence: an experience of liberation from state reprisals for actions that violated long-established legal and political cultural norms.[2] Regardless of how briefly that moment had lasted, the memory of it and its ensuing discursive reproduction has since played an important role in changing the cultural landscape of local politics at the grassroots level. In interpreting such a historical rupture, however, the rioting of early December 1998 should not be isolated from the less radical but continual smaller-scale actions that took place throughout the district of Blora from early 1998 through to mid-2000. It is a central contention of this chapter that the combination of riots and other forms of mass action at the local level from 1998 has had a profound effect on the nature of local politics in Blora, as in other districts in Central and East Java.

Surrounded by teak forests, Kabupaten Blora is a small and usually sleepy rural district in the north of Central Java. The district capital, Kota Blora, was given the nickname ‘town of the retired’ during the New Order years because of its nondescript character.[3] Yet Blora has a history of resistance. In the late nineteenth and early twentieth centuries it was the base for the Samin peasant resistance movement, while in the 1950s and 1960s it became a bastion for the Indonesian Communist Party (PKI) (Widodo 1997). In 1965–67, at the dawn of the New Order era, Blora was the site of a rebellion led by Mbah Suro Nginggil, a Javanese mystical teacher/healer (*dukun)* cum millenarian leader who allegedly drew support from thousands of former PKI supporters. For such rea-

sons Blora was viewed by the New Order authorities as a potentially unstable region. One month after the suppression of the Mbah Suro rebellion in March 1967, an army colonel was installed as the first New Order district head (*bupati*) of Blora. The tradition of appointing a military *bupati* continued until after the Soeharto regime collapsed. By the mid-New Order, Blora appeared to be a model of stability. Unlike the neighbouring district of Jepara, which was a stronghold for the Muslim-based United Development Party (PPP), the voters of Blora offered little resistance to the government electoral vehicle, Golkar, which secured in excess of 80 per cent of the vote there in the 1987 election. The district's military *bupati* frequently celebrated the *iklim sejuk*, the 'cool ambience', of politics in Blora.[4]

The aim of this chapter is to investigate the changes in power relations and power structures at the local level since the onset of *reformasi*, a time when it seems that the people of Blora began to rediscover some of their radical and revolutionary heritage. In fact, the case of Blora suggests strongly that a riot was required to alter the political norms and cultural landscape of politics at the local level from that established under 30 years of the New Order 'powerhouse state'.[5] The surge of popular action from below has had an important and lasting influence on politics in Blora. Post-authoritarian local politics there, as in Indonesia more generally, has been associated with a revival of discourses of populism and class, albeit in timid and circumscribed ways. This is demonstrated in the final part of the chapter by a discussion of the tug-of-war between the legislative and executive bodies in the Blora district government over the reproduction and control of the moment of effervescence described above.

## *REFORMASI*: FROM NATIONAL TO LOCAL EFFERVESCENCE

Although no district or municipality in Indonesia remained unaffected by the wave of *reformasi*, the speed, manner and timing with which national issues were replaced by local ones varied. Initial demonstrations at the district level in 1998 were mainly about national issues, with protestors expressing their solidarity with the students martyred in Jakarta; calling for the abolition of the *dwifungsi* policy under which the military held the right to participate in political and socioeconomic affairs; and demanding that Soeharto step down. Protests voicing more local interpretations of reform became increasingly common following Soeharto's resignation on 21 May, and were dominated by issues of land ownership, access to basic commodities and the corrupt (KKN) practices of state functionaries. The first successful local *reformasi* action taken in Java was in September 1998, when citizens forced the mayor of Tegal municipality to step down.[6]

Compared to other districts in Central Java, such as Tegal, Sragen,

Kebumen, Klaten and Cilacap, where *reformasi* actions were vigorous and started early, Blora remained relatively quiet until late October 1998. A minor demonstration took place on 20 May 1998 when 17 Bloranese university students visited the district legislature to express their concern about national problems. Wearing bandannas with *reformasi damai* (peaceful reform) written on them, they read a statement demanding lower prices for basic goods; reforms in the political, economic and legal systems; more justice, equality and transparency in government; and serious investigations into the fate of kidnapped student activists.

A demonstration raising concrete local issues did not occur until late September, when students from senior high schools in Blora protested about the way in which scholarships for the poor were being given to less needy students, implying corruption and collusion in the selection process. The students also demanded that schools reduce their control over non-academic activities and affirmed their opposition to violence (the latter in response to student involvement in riots in several towns in other districts). Even though both of these demonstrations were peaceful, the district government made sure that its security apparatus was deployed and placed at strategic positions.

In neighbouring districts, attacks on the KKN practices of government officials, especially *bupati*, had begun in July 1998, with reformist demonstrators quickly gaining the upper hand. In Sragen, one of the most dynamic districts in Central Java, demonstrators occupied the legislative building for six days in July, forcing the members to take an oath to investigate alleged KKN practices by the *bupati*. A list of the *bupati*'s possessions, which included four luxurious houses, three petrol stations and a number of cars, was circulating widely in early August, leading to further demands for him to step down and make himself accountable for this extraordinary accumulation of wealth. The district legislature was forced to present these demands officially to the *bupati*.

Demonstrations against the *bupati* of Blora, Police Superintendent Soekardi, did not begin until early September. They originated in part from the circumstances surrounding a personal dispute between the *bupati* and Rastiyo Sahari, a Bloranese living in Jakarta, over the exploitation of old oil wells.[7] In October 1996 Rastiyo had been granted a licence by the state oil company, Pertamina, to exploit old oil wells in the district. Initially he received the full support of the *bupati* in his venture. However, just as production was about to commence, he was ousted as manager of the cooperative he had set up, along with the head of the cooperative and other officials who had sided with him. All were replaced with associates of the *bupati*. Before dying in mysterious circumstances in early 1998, Rastiyo compiled a lengthy dossier providing evidence of the *bupati*'s alleged misdeeds.

On 1 September 1998, a group of 15 Bloranese, accompanied by a former Indonesian Democracy Party (PDI) member of the national parliament, Alex

Asmasoebrata, presented a report to the attorney-general on the suspect practices of the *bupati* of Blora. They read out a statement accusing him of having appointed his sister-in-law as head of the Education and Culture Office and his younger brother to replace Rastiyo as manager of the oil well cooperative, of selecting a construction company belonging to his daughter to rebuild the wells, and of allocating other projects to his relatives.[8]

Even though this event took place at the attorney-general's office in Jakarta – not Blora – it managed to shock the *bupati* and the Bloranese community because it was broadcast nationally on the evening news of a private TV station on 1 September 1998 and picked up by the local dailies *Wawasan* and *Suara Merdeka* over the following days. The *bupati* held a press conference claiming that the accusations were slanderous. The speaker of the district legislature, too, reacted with surprise, saying that 'nothing is happening in Blora; things go on as usual; there is no demonstration or unrest, let alone about KKN practices by the *bupati*'. Following this incident, several youth organisations held small demonstrations directly attacking the *bupati* for alleged corruption in the construction of a sport centre and the renovation of a bus station in the subdistrict of Cepu. But the fact that there was no ensuing major mass action or demonstration could be interpreted as an indication of the success of the *bupati* and his civil service apparatus in maintaining Blora's famous *iklim sejuk*.

Although the demonstrations did not receive active support from the wider population in Blora, the unprecedented public display of alleged KKN practices shook the *bupati*'s grip on power. Especially in light of the wave of pro-*reformasi* protests sweeping much of rural Java in late 1998, he was now ready to concede almost anything to save face and be allowed to finish his term, which was due to expire in November 1999. He particularly did not want to be embarrassed like his colleagues in Kendal, Sragen, Klaten and other districts by having his possessions paraded in public and every aspect of his life scrutinised. His psychological condition was exploited by youth activists from the Indonesian Democratic Party of Struggle (PDI-P) during the campaign period leading up to the general election in May 1999 to restrain the *bupati* from interfering in their activities.

*Reformasi* had become a catchword in 1998–99. It was attached to any action or policy considered to signify change; agencies that appeared to be resisting change were labelled anti-*reformasi*. In the bureaucracy, *reformasi* took on its own meaning. In Blora, when civil servants were moved to new posts, they were described as having been 'reformed' (*direformasi*). On 23 September 1998 *Wawasan* referred to the transfer of nine civil servants to different posts as being a manifestation of how 'reformist' the *bupati* was. In a different context such a move would have been regarded as routine, but it was now being presented as evidence of the bureaucracy's responsiveness to people's demands and its capacity to 'reform itself' (*mereformasi sendiri*). To show that his dis-

trict was sensitive to the *reformasi* atmosphere and to ward off further demonstrations, in February 2000 the *bupati* formed a reform team (*tim reformasi*). Consisting of civil servants, its task was to anticipate and respond to public demands concerning local issues.

Another variation on the theme of *reformasi* demonstrations was triggered by rumours spreading in late 1998 about the imminent arrival in Blora of ninja-style killing squads. (Such fears gripped much of rural Java throughout that year, triggered initially by a wave of killings of *dukun santet* – black magic practitioners – in Banyuwangi and other parts of East Java.) The atmosphere of disorder and uncertainty was shrewdly exploited by PDI-P activists, led by maverick Megawati supporter Aan Mandala. He organised a rally on 28 October 1998 – Youth Pledge Day (Hari Sumpah Pemuda) – attended by thousands of members of 28 youth organisations in Blora. Its purpose was to provide an opportunity for Bloranese youth to condemn riots, looting, terror and other violent actions. Although the *bupati* was invited to speak, the effect of the rally was to demonstrate the incapacity of the state apparatus to create security and order (in this case in the face of the presumed ninja threat).[9]

The day was utilised by the PDI-P youth activists to show that they were the ones in control of public space in Blora. Immediately after the rally, youths in red clothing paraded through the town on hundreds of red-decked motorcycles, cars and trucks, carrying the national flag, PDI-P banners and pictures of Megawati. For the first time Blora was publicly transformed from Golkar yellow to PDI-P red. For a few hours the streets and intersections no longer belonged to the state but to the *rakyat* (people) as represented by the PDI-P. What was manifested on the streets, in other words, was the spectre of the *rakyat* rising in strength following three decades of repression under the New Order authoritarian regime. Regardless of how temporary it might have been, this display of control over public arenas served as a significant demonstration of the altered balance of power, from a long era during which the state was the only source of power and authority to a new one in which it was the people who were the sole source of authority and legitimacy.

In the town of Blora and other urbanised subdistricts such as Cepu, rallies and demonstrations served as a ritualistic means to erode the confidence of state functionaries, while demonstrating to the wider population that the public arena was no longer the monopoly of the state apparatus. I am not arguing that the powerhouse state totally collapsed, either institutionally or politically. What I am suggesting, however, is that there was a clear public display of the temporary powerlessness, if not bafflement, of state functionaries at the district level as to how to respond to the new challenges posed by the *reformasi* era.

The state's temporary inaction created a grave historical rupture in the cultural and ideological dominance of the powerhouse state over society, a rupture that will linger in the memory of both the state apparatus and the people. From

late 1998 on, no district power-holder could afford to ignore pressure and scrutiny from the people, or from those who could appropriate and utilise the people's authority for their own ends. As we shall see, even the district legislature could no longer be relied on as an instrument for the *bupati* to legitimise his acts. Instead, since the general election of 1999, local politics has been dominated by continual power struggles between executive and legislative bodies, and especially between the *bupati* and the speaker of the legislature.

## FROM FLOATING MASS TO FLOATING VOTERS

The *reformasi* movement not only caused the authority of local officials to collapse, but, by exorcising the New Order hegemony at the local level, it also served to destroy Golkar's mechanisms for guaranteeing a majority in general elections. Thus it prepared the rural population for freer and more democratic elections of local officials. With the military and civil service almost totally restrained from playing their usual role in ensuring a Golkar victory, the PDI-P emerged as the winner of the June 1999 election. It gained 19 of the 40 elected seats in the Blora legislature. Golkar held eight seats, the National Awakening Party (PKB) six, the United Development Party (PPP) four, the National Mandate Party (PAN) two, and the Justice and Unity Party (PKP) one; another five seats were allocated to the military and the police to make 45 seats in total. All but eight legislators (six from Golkar, one from the PDI-P and one from the PPP) were new faces in the Blora legislature.

As in many other places, the PDI-P victory in Blora was both surprising and perplexing, especially to the PDI-P candidates themselves. It opened up hitherto undreamed of possibilities. Only one PDI-P member had previous experience as a legislator, and almost all were relative newcomers to the party itself. Many were from lower socioeconomic backgrounds and had lacked steady employment. Most had been members of party sub-branch executives. They had extensive contacts at this level and were skilled at mobilising voters in the subdistricts they represented. Quite a few came from or were sponsored by the PDI-P party militia (Satgas PDI-P), and some were suspected of having semi-criminal (*preman*) backgrounds.[10] Most of them strongly distrusted the New Order bureaucracy and military, although they could also be very pragmatic in dealing with them. This new leadership layer of the PDI-P was a very different political type to the veteran PDI-P officials who had just managed to keep the party's predecessor, the PDI, alive for three decades by retaining two or three seats in the Blora legislature. The contrast between the two groups is best demonstrated by comparing the new *bupati*, Basuki Widodo, with the new speaker of the legislature, Warsit.

*Reformasi* had dramatic consequences for Warsit's career. He was cata-

pulted from being a casual teacher in a private local high school to become the second most powerful person in Blora. His political career started in 1999, as a sub-branch party operator in the subdistrict of Kradenan. He exhibited extraordinary skills in developing a power base among party sub-branches in 16 subdistricts, and among PDI-P student and youth activists.

In 1999, the sub-branches were in intense conflict with the then chair of the PDI-P district branch, Soenardji. The inauguration of the new legislators on 14 August 1999 was almost postponed because of a disagreement between the sub-branches and Soenardji about who would sit in the legislature – Indonesia's electoral laws allow wide discretion to party executives in allocating legislative seats to candidates on a party list. The election of Warsit as speaker in September 1999 followed the sub-branches' refusal to endorse either of the two candidates put forward by Soenardji. His ascendancy was unexpected; he was elected by the 19 PDI-P legislators only as a rebuff to Soenardji. Commenting on his election, Warsit said 'Honestly speaking, being the speaker still feels like a dream to me' (*Suara Merdeka*, 30 September 1999).

Warsit bolstered his political standing in the PDI-P district branch in November 2000 by replacing Soenardji as branch chair in a landslide vote. This means that he will wield great influence in selecting PDI-P candidates in future elections. In December 2002 he stated that he would definitely run for the *bupati*-ship in 2005,[11] an ambition as feasible for him now as it was unimaginable less than three years ago.

The election of the *bupati* was supposed to take place in November 1999 when Sukardi's term expired. It was postponed, however, until February 2000, mainly because Soenardji and the sub-branches could not agree on a candidate. The timing of the election coincided with the de facto implementation of the new regional autonomy laws (see Malley, p. 110, this volume). Law No. 22/1999 on regional government dictated that candidates for executive positions at the district level should run as pairs, with each candidate for the position of *bupati* teamed up with a candidate for the position of deputy *bupati*. This directive compelled political parties to cooperate in finding candidates. In Blora the PDI-P's 19 votes were insufficient to secure the outright majority needed to win the *bupati*-ship. The party thus had to negotiate with Golkar to obtain its eight votes or with the Muslim parties to obtain their twelve. The more plebeian sub-branches vehemently refused to join with Golkar and the military, although this was precisely what Soenardji wanted to do. Even so, both the sub-branches and Soenardji were convinced of the necessity to settle on a single candidate for the top job, afraid that disunity might result in the party losing the *bupati*-ship altogether (as had already happened in other districts).

Basuki Widodo was the person proposed by Soenardji as the PDI-P's sole candidate. Trained as an engineer at the Bandung Institute of Technology, he had worked as a building contractor, harvesting several lucrative projects under

the New Order. He had always been financially secure and lived comfortably in an elite suburb in Semarang, the capital of Central Java.[12] In the 1999 general election, he was elected to the Central Java provincial legislature as a PDI-P representative. This position gave him the opportunity to develop his political network within the party and the bureaucracy. Basuki's brother Kadarisman, also a businessman, had for a long time been the treasurer of the Blora district branch of the PDI-P, and before that of the PDI. Under the New Order party system, this meant that he was the one who bankrolled the party's local activities. Basuki was a long-time supporter of the party and had a solid pedigree as a member of a PNI family (the PNI being the Sukarnoist Indonesian National Party, from which today's PDI-P traces its heritage). Even so, he had rarely interacted with grassroots members or with the sub-branch leaders in Blora, let alone sought to attain their support. In terms of cultural and socioeconomic background, and political network, he could hardly have been more different from the populist Warsit, champion of the sub-branches.

Not surprisingly, Soenardji's choice of candidate was immediately rejected as undemocratic and non-transparent by the sub-branches, as well as by student activists, who organised a series of demonstrations alleging 'money politics' in the selection process. The sub-branches' candidate was Lukito Mangkuatmojo, a retired judge whose campaign was being bankrolled by the newly rich businessman and PDI-P supporter Hartomo Wibowo, who had acquired his wealth over the preceding couple of years by trading in teakwood.

In the face of such opposition from the sub-branches, Basuki's campaign received a major boost in the form of a *surat rekomendasi* (letter of recommendation) from the central board of the PDI-P in Jakarta endorsing him as the official PDI-P candidate for *bupati*, and Subronto, the chair of Golkar in Blora, as his running mate. The sub-branches and student activists rejected this recommendation and launched a four-month campaign involving political manoeuvring, demonstrations, negotiations, threats and even an assembly of sub-branch executives to undermine Basuki's candidacy. Nevertheless, in the end Soenardji's choice prevailed. On 9 February 2000, Basuki and Subronto were elected as the new *bupati* and deputy *bupati*, collecting 23 votes from the PDI-P and Golkar. Lukito and his running mate Abu Nafi gained 15 votes from the Muslim parties and four PDI-P votes, while retired Police Superintendent Kandam Santosa and Abdul Ghoni picked up the five military/police votes and one PPP vote. During the vote, the legislature building was guarded by 400 security personnel (a common feature of post-*reformasi* local elections), because of the threat of massive protests against the PDI-P central board's endorsement of Basuki as the official candidate.

The outcome of the election naturally disappointed the sub-branches and younger party activists. They were frustrated that the central and provincial party boards had not approved their choice of candidate, who they believed had

been selected democratically and transparently by the assembly of sub-branch executives and party officials, and hence represented the choice of the *rakyat*. They were dismayed by the behaviour of the new legislators, who they alleged had made their choice on the basis of 'money politics'.

Combined with disappointment over the performance of Megawati's government and other national factors, such local disputes have transformed the New Order's 'floating mass' – a rural population which, in the regime's schema, was to be cut off and protected from the disruptive influences of political party life and ideological competition – into 'floating voters', a school of voters who are non-ideological, pragmatic, and able to be exploited as a commodity in future general and local elections. Since the 1999 general election, the disaffected militia leaders and party operators who were unable to gain positions in the new political dispensation have realised that they now stand to gain from offering the votes of their supporters to the highest-bidding local political boss.

Warsit, the new speaker of the Blora legislature, appears aware of this possibility. During his first three years in the post, he has skilfully balanced his dual role as elite political player and mass-based party leader. He has solidified his political position as chair of the district branch of the PDI-P, and seems to realise that he has to accumulate the resources necessary to maintain the loyalty of party operators and voters, particularly if he wants to pursue his new dream of becoming Blora's *bupati*. Such an ambition entails a strategy of relentless pursuit of every available political opportunity at the district level.

## EVERYDAY POLITICS OF LOCAL GOVERNANCE

Less than a week after being sworn in as *bupati*, Basuki provided Warsit with an opportunity to flex his muscles and demonstrate the new power of the legislature in local politics. Basuki made a statement to the media saying that he would be willing to step down as *bupati* only if this was demanded by the *rakyat*, not the legislature, because 'only the *rakyat* has a conscience' (*Suara Merdeka*, 3 March 2000). Warsit, as speaker, summoned Basuki to 'clarify' the statement, saying that it demonstrated contempt for the legislature. Basuki dutifully paid an immediate visit to the legislature to explain that what he had meant by *rakyat* was nothing other than the legislature itself. Within a week of taking office he had been forced into a symbolic backdown that served to illustrate powerfully the new and radically altered relationship between the legislature and the bureaucracy.

For almost one year the *bupati* lay low, concentrating on managing the bureaucracy under his control and learning how to deal with the legislature. Interestingly, most bureaucrats were eager to serve him and he soon gained their trust. In contrast, his relationship with the legislature – which, though con-

trolled by his own party, was effectively his main adversary – has been far more unstable. Warsit was quick to exercise the new power he had acquired as speaker, seeming to experiment with how far he could go. In the first months of Basuki's *bupati*-ship, Warsit often said publicly that he could bring down the *bupati* whenever he felt like it. Such bullying statements, and other unfriendly treatment by the legislature, decreased significantly when Warsit and other PDI-P legislators realised that the *bupati* had been successful in solidifying his position in the bureaucracy and in the party structure. The *bupati* himself gained in confidence and began to act more decisively in dealing with the legislature, as the following tests of strength illustrate.

One area that used to be under the sole authority of the *bupati* during the New Order period was human resource development in the bureaucracy. The promotion and placement of civil servants was essentially a matter for his discretion. Under article 61 of Law No. 22/1999, the *bupati* is now required to consult the legislature on the structure and composition of the bureaucracy. Naturally, Warsit intended to interpret 'consultation' as direct involvement.

In early 2001, following several weeks of negotiation with the *bupati*, the legislature agreed to a new organisational structure for the local government. The legislature wanted to eliminate redundancy and inefficiency by downsizing and restructuring the local bureaucracy to suit its taste. The *bupati*, on the other hand, wanted to ensure that the reorganisation did not reduce the number of government units to the point where it would affect the performance of his administration. He also wanted to make sure that he could appoint his own trusted lieutenants to key positions. During this process, several career bureaucrats switched allegiance from the *bupati* to the speaker, calculating that power had shifted decisively under the new system. Even so, the *bupati* was mostly able to get his own way, as when he succeeded in convincing the legislature to approve an extension of term for the district secretary, who was supposed to retire in early 2001. (It did, however, take six months of 'negotiation and persuasion' to get the speaker to approve the extension.)

The district budget has proved to be another major source of political friction. With Rp 285.25 billion in 2001 and 2002, Blora is the fourth largest recipient in Central Java of funding from the central government's General Allocation Fund (DAU). Nationwide, DAU funding constitutes on average 73 per cent of local governments' budget revenue, three-quarters of which is spent on routine expenses (Asia Foundation 2002a). The fact that there are three formulae for determining a district's DAU opens up space for negotiation, hence also for corruption, between officials from the Department of Finance and district representatives. The amount of DAU funding eventually attained is inevitably used to measure the success of local negotiators, be they the *bupati*'s or the speaker's. In Blora both sent emissaries to Jakarta for this purpose, with the *bupati*'s team proving the more successful.

The annual budget has served as another arena for negotiation between the legislature and the *bupati*. Suspicion of the bureaucracy runs deep among the new legislators. They were also overwhelmed by the huge amount of money they were suddenly expected to supervise and allocate, especially for purposes beyond their empirical experience. For instance, a sum of Rp 75 million for vehicle maintenance and Rp 25 million for health care for the *bupati* and his deputy were considered simply outrageous by the many legislators who had never owned a vehicle or held health insurance.

At the same time, there have been strong rumours of money changing hands to ensure the smooth passage of bills, with the passage of an annual budget bill costing the *bupati*/bureaucracy more than, say, a bill on a village head election. In November 2001, for example, the speaker was embarrassed by rumours that the legislature had taken a 10 per cent cut of the annual budget, immediately denying this through the local mass media. As one might expect, bureaucrats and Golkar legislators are best equipped with the skills necessary to mediate negotiations between the legislature and the *bupati* on budgetary and law-making matters. Unsurprisingly therefore, it is the Golkar legislators who most frequently serve as brokers between the two parties.

The most crucial moment in a *bupati*'s career is the annual accountability report in which he must present a review of his performance to the legislature. This report is then scrutinised by legislators; if they reject it, the *bupati* can be impeached. The effort involved in having this review passed has been described as almost as great as getting elected in the first place. So far, Basuki has succeeded in having two annual accountability reviews passed – the last one, in May 2002, remarkably smoothly. It was the legislature that faced embarrassment when pamphlets were circulated in Blora suggesting that members had been paid to approve the review. In the legislative assembly to discuss the accountability report, Warsit condemned the pamphlet, challenging its authors to provide any evidence of bribery to the police. Widodo's report was then accepted unanimously.

After three years in office, a new *modus vivendi* based on negotiation and deal-making appears to be evolving between the bureaucracy and the legislature. The system serves as an avenue for political players to maximise their access to resources and enhance their political standing. Each tries to outdo the others, because they all realise that victory in the fight for strategic positions depends on being able to mobilise financial resources and build a popular support base.

The speaker frequently invokes the *rakyat* as the source of his legitimacy, and their interests as the main consideration in all his actions. The invocation of the *rakyat* in today's political culture carries much more weight than it did under the New Order. Regardless of internal party conflicts, as described above, the popular effervescence of *reformasi* has endowed the local legislature with

renewed status as the voice of the *rakyat*, and put the local executive on the defensive. The speaker and other legislators in Blora obviously have attempted to maintain and make the most of this endowment, both politically and financially. Ironically, even Golkar legislators often jump on the bandwagon, criticising the bureaucracy for not being sufficiently reformist.

Basuki too has had to reinvent himself as a new type of *bupati* – presenting the *rakyat* as the main beneficiary of his economic programs and endeavouring to make himself accessible and close to the people. The speaker has had to walk a fine line in claiming that he acts on behalf of the *rakyat* who participated in the *reformasi* movement in 1998. Such a claim could easily backfire, as the young activists and demonstrators of that year have since transformed themselves into the district's NGO, pro-democracy and civil society activists. They still sometimes organise demonstrations and other forms of social protest, giving rise several times since 1998 to an atmosphere of impending riot and violence.

## CONCLUSION

For much of Java, the one-year period between the day President Soeharto stepped down in May 1998 and the general election in June 1999 was comparable to the period between the 1983 assassination of Ninoy Aquino in the Philippines and the moment when 'people power' demonstrators stormed Malacañang Palace in 1986. During Java's period of people power, most districts in Central and East Java experienced regular demonstrations by local populations that shook the balance of power between local administrations and the people. The elections of village officials in 1998–2000, the general election of June 1999, followed by the elections of *bupati* and party officials in 1999–2001, as well as the current everyday politics of governance, have served as the means for reproducing the reversed power relations brought about by the various moments of effervescence during the *reformasi* era in 1998.

In the case of Blora, it took time, and a considerable effort, to break apart the oppressively pleasant political culture of *iklim sejuk* established by the local New Order powerhouse. Indeed, democratisation occurred only in the aftermath of radical and violent social unrest. The historical rupture represented by the rioting and looting of late 1998 contributed to a more open and dynamic political atmosphere that enabled members of the local community to position themselves more equally vis-à-vis the state. It became a source of energy for maintaining the momentum of local democratisation. Decentralisation, on the other hand, seems to serve primarily as an administrative and legislative parameter for governing democratisation.

The case of Blora also demonstrates the lack of importance of party

alliances and ideology in the politics of local governance. Instead, political parties serve as vehicles for the political careers of individuals. Even though they belong to the same party, the *bupati* and the speaker of the district legislature are two different political players from opposite cultural, social and economic backgrounds. To some degree they also represent two opposing elements in local politics: order–development versus populism–solidarity. The election of the *bupati* in 2000 taught local political players that the *bupati*-ship is open to all. The essence of everyday local politics has been, and will remain, the fight for strategic positions and resources. In this fight, two opposing discourses – that of populism and solidarity versus the ghost of the New Order's emphasis on order and development – have been brought into play. The horse trading and money politics emerging in the district legislature suggests, however, that the post-1998 populism visible in Blora is unlikely to lead to a deeper break with the past. Nor is there likely to be a rediscovery of some of Blora's more radical pre-Soeharto traditions.

## NOTES

1 This was the main factor in an earlier mass action that took place in Jati subdistrict in the southwestern part of Blora district on 12 November 1998. After queuing in vain for two days for fertiliser, about 400 villagers ransacked the offices of the district cooperative (*Suara Merdeka*, 14 November 1998: 4).

2 The term 'effervescence', taken from Durkheim's 'The Elementary Forms of the Religious Life' (1976), has been used to describe a revolutionary moment where young people (*pemuda*) especially occupy the public stage to express their aspirations for freedom and liberation and an end to oppressive social structures. See Anderson's description of the role of *pemuda* in *Java in a Time of Revolution* (Anderson 1972) and Lucas's historical account of the social revolution in Tegal, Pemalang and Pekalongan (Lucas 1985).

3 The capital is both the subdistrict of Blora (Kecamatan Blora) and the municipality of Blora (Kota Blora). For a further political and cultural account of Blora, see Widodo (1995).

4 *Iklim sejuk* was a term coined by a trusted Soeharto associate, Major-General Ismail, to describe the prescribed political climate in Central Java, where conflicts were not supposed to surface on the political landscape (Widodo 1995). Ismail served as governor of Central Java in the 1980s.

5 A powerhouse state is a state committed to and capable of bringing about far-reaching changes in its society and environment. This kind of activist and interventionist state is rich in the economic, political and cultural resources to make society adapt and respond to its wishes. Local officials in a powerhouse state tend to be much less affected by horizontal pressures, because their career paths are determined by the central government. The concept of the powerhouse state was proposed by de

Jouvenel (1962), first applied in an Indonesian context by Geertz (1972) and adapted as a model to analyse political culture at the district level by Schiller (1996).

6 For a detailed description of *reformasi* in the district of Tegal, see Lucas (2001).

7 There are more than 600 oil wells in Blora, some of them old wells originally exploited by the Dutch. Although many are still productive, they have not been exploited commercially for decades. Using simple technology, the local population exploited some of the productive wells illegally, selling the pilfered crude oil to Pertamina.

8 See *Wawasan* (2–3 September 1998); *Suara Merdeka* (3 September 1998); and the complete set of documents compiled by Rastiyo on the chronology of the dispute.

9 The *bupati* inevitably supported the rally. He gave a speech urging the people of Blora to be watchful of those who were anti-government and anti-religion, and alluding to those participating in the riots as 'communists'. He also raised a serious problem in Blora: the massive ransacking of teakwood that had taken place since mid-1998.

10 During the New Order period, political parties deployed the *preman* on the streets during election campaign rallies to bolster their numbers, intimidate the opposition and conduct crowd control.

11 Telephone interview with a Bloranese civil servant, 4 January 2003.

12 Blora is 130 kilometres to the east of Semarang. Basuki still maintains a home in Semarang, where he returns most weekends. His wife, who works as a university lecturer in Semarang, spends half the week in Blora to perform her duties as the wife of a *bupati*.

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# 13 BETWEEN RIGHTS AND REPRESSION: THE POLITICS OF SPECIAL AUTONOMY IN PAPUA

*Rodd McGibbon*

In August and November 2001 the Indonesian government passed laws on special autonomy for Aceh and Papua respectively. Independence movements in both provinces have been gathering momentum since the resignation of President Soeharto in 1998, resulting in violent conflict between the security forces and supporters of independence. But in addressing these growing conflicts, the government has lacked an overall framework. The Special Autonomy Laws, primarily the initiative of the provinces, offer the most systematic attempt to date to manage regional grievances resulting from Jakarta's failed security and development policies.

This chapter examines the Special Autonomy Law for Papua, against a background of continuing political strife. Drafted in response to growing demands that the state uphold Papuans' basic right to development and security, the law involves a broad devolution of powers and the redistribution of revenues to the province. Through sustained advocacy and lobbying, the provincial government was able to extract concessions from a weak central government lacking clear policy directions.

The concessions offered in the Special Autonomy Law have raised hopes that it may result in a de-escalation and eventual resolution of the conflict in Papua. It is still too early to make a definitive assessment of special autonomy, since the law's full implementation requires scores of implementing regulations to be passed by the end of 2003. The devil will be in the detail of implementation. Nevertheless, the general direction of special autonomy is clear, as are the broader national forces that will shape the environment in which it is implemented.

I argue that Papua is likely to see more violence, not less, in coming years. Whatever the potential of the new law to empower local communities, and this is not inconsiderable, Papuans' basic rights will continue to be threatened as

long as the cycle of impunity enjoyed by the security forces remains unbroken. An unreformed security sector and mounting government failures to uphold the rule of law will continue to alienate Papuans from the state and reinforce the overwhelming support for independence in the province. In this context, government success in addressing the grievances fuelling Papuan nationalism is conditional on thoroughgoing reform of national institutions. This is a distant prospect, and is not directly addressed by the Special Autonomy Law.

These shortcomings have raised serious reservations about special autonomy within Papua. As the foregoing remarks suggest, I share many of these reservations. But I also reject the arguments of detractors who entirely dismiss the law either as a ruse by the central government or as irrelevant. Such views miss a fundamental point about special autonomy, namely that it marks a watershed in Jakarta's relations with the regions in explicitly recognising minority rights. Furthermore, while the law does not fully address decades of Indonesian misrule, it does have the potential to empower, for the first time, local institutions that are genuinely representative of the Papuan people. This, I shall conclude, could reshape the political environment in Papua and bolster the province's bargaining position vis-à-vis Jakarta, in what will no doubt be a long and conflict-ridden struggle for the attainment of basic Papuan rights.

## BACKGROUND TO THE CONFLICT

Located at the easternmost edge of Indonesia's sprawling archipelago, Papua is one of the country's most resource-rich provinces, but also one of its poorest. The territory's indigenous people comprise over 300 tribal groups, engaged mainly in subsistence agriculture. Following Indonesia's declaration of independence in 1945, the former Dutch colonists maintained control of Papua and prepared the territory for independence. But Indonesian nationalists, under President Sukarno, launched a campaign to reclaim 'West Irian' (later renamed Irian Jaya and, more recently, Papua) as a part of Indonesia. Due to Cold War considerations, the United States pressured the Dutch in 1962 to accept the transfer of Papua to Indonesia under the terms of the 1962 New York Agreement, with a face-saving formula for Papuan self-determination to be exercised after a period of Indonesian administration. In 1969, in what many believe was a violation of Papua's right to self-determination, the Indonesian authorities, under UN auspices, held an act of free choice in which 1,025 handpicked Papuan delegates unanimously voted to become part of Indonesia. (Saltford 2000).

From the onset of Indonesian rule over the province, small pockets of armed resistance emerged under the Free Papua Organisation (OPM) (Djopari 1993). Under the centralistic and repressive rule of President Soeharto, the province experienced a long history of human rights abuses. While suppressing local

opposition and channelling the vast profits from resource extraction industries to Jakarta and abroad, the government largely neglected the welfare of the local population. The wealth generated by such projects attracted large-scale migration of labourers, traders and professionals from other parts of Indonesia, a process actively encouraged by the Soeharto government in its promotion of 'development'. The ensuing influx of migrants, usually possessing higher educational levels and skills than the local community, resulted in the marginalisation of Papuans from the modern economy.

Following the Soeharto regime's collapse in May 1998, the accumulated resentment produced by this history of misrule was suddenly given open expression. Sensing the weakness of Jakarta, local leaders emerged to demand a national and international dialogue to address the province's grievances. At the same time, these leaders began to outline an evolving rights agenda encompassing a range of political demands, including the redistribution of state resources, the recognition of traditional land rights and local control over natural resources, restrictions on migration, affirmative recruitment of Papuans into government, a 'rectification' of the history of Papua's incorporation into the state and, above all else, the withdrawal of security personnel and punishment for those who had committed past abuses.

In this open environment, it was not long before such demands were extended to include calls for independence. In fact, the independence movement suddenly became transformed from a largely ineffectual and symbolic armed struggle carried out by the OPM in the countryside to an urban-based movement with strong popular backing (ICG 2001b; van der Broek and Szalay 2001). The main organisation to emerge, the Presidium of the Papuan Council (PDP), adopted a different strategy from the OPM in eschewing violence and espousing peaceful agitation to achieve its ends. This approach was successful, at least initially, as the PDP rapidly built a network of 'panels' or branches throughout the province consisting of customary (*adat*) leaders, students, civil society activists, church figures and others (ICG 2002b; van der Broek and Szalay 2001).

Public support for independence took many forms, but was most notably expressed through flag-raising ceremonies across Papua. By December 1999 local communities were openly celebrating what had long been declared Papuan Independence Day, with large gatherings across the territory raising the flag and singing the anthem associated with Papuan nationalism. A paramilitary group affiliated with the PDP, Satgas Papua (Papuan Taskforce) also emerged. All of these developments were signs that local communities were beginning to demand the basic cultural, political and economic rights long denied them under the New Order.

These rising levels of political mobilisation provoked a harsh response from security forces on the ground, however. Declaring that they would defend the

integrity of the state against separatism, the security forces clashed repeatedly with local communities. By 2000, violent conflicts between local communities and the security forces had occurred across the territory (Human Rights Watch 2000). The rampage of pro-Indonesian militias in East Timor in September 1999 heightened concerns that Papua would veer down the same path. Interethnic tensions between indigenous Papuans and the descendants of migrants from other parts of Indonesia mounted throughout 2000. Reacting to the growing strength of Satgas Papua, some migrant communities began to arm themselves, reportedly at the behest of the police chief.[1] While Satgas Papua remained unarmed, its presence increased jitters among many non-indigenous Papuans, who reported incidents of intimidation by young Papuan men.

For their part, the military and police warned of more repressive measures if public displays of support for independence continued. Throughout 1999 and 2000, the police engaged in a series of uneasy stand-offs with local communities, with police demands that the Papuan flags be lowered regularly ending in bloodshed (ICG 2001b). The protestors' defiance reflected the strong momentum the independence movement had gathered since 1998. As the two opposing camps marshalled their respective forces, concern grew during 2000 of a looming political collision.

## PUTTING SPECIAL AUTONOMY ON THE AGENDA

It was against this background that the provincial government, with assistance from the major umbrella organisation Forum for NGO Cooperation in Papua (Foker), other NGOs and Cendrawasih University, began formulating various drafts of a Special Autonomy Law for Papua. Activtists from Foker and academics such as Agus Sumule had been among the first to introduce the idea of special autonomy as part of the public discussion in Papua. They hoped that special autonomy would act as a circuit breaker in the public debate, which was becoming increasingly polarised between supporters of independence and those who supported the new decentralisation laws drawn up under President Habibie (SKP 2001).[2] The decentralisation laws had in fact done nothing to address human rights concerns and the demand that military forces be withdrawn from Papua. As one community leader complained, 'they are giving us candy when we need medicine to heal our wounds'.[3]

Amid the government's faltering policies, Papuan leaders continued to press Jakarta to take their demands seriously. During the 1999 session of the People's Consultative Assembly (MPR), Acehnese and Papuan leaders made insistent pleas that regional grievances be addressed by Jakarta. This resulted in a generally worded article in the Broad Outlines of State Policy (GBHN) calling on the government to pass laws on special autonomy for Aceh and Papua. A year

later, however, the government had yet to draft such laws. Under heavy criticism from the regions, the MPR issued a follow-up decree in 2001 directing the government to issue Special Autonomy Laws by May.

Armed with this MPR directive, Papua's governor, Jaap Solossa, and his deputy, Constant Karma, signalled a more proactive role for the provincial government. The election of Solossa and Karma, both native Papuans, to head the provincial administration gave special autonomy an enormous boost, as the two used their position of authority to promote the proposed law. In December 2000, soon after his election, the governor established a Technical Assistance Team from Cendrawasih University to solicit community input into the drafting of a Special Autonomy Law for Papua (SKP 2001). These community consultations highlighted the gap between the local elites advocating the bill and key sectors of the community, particularly students, *adat* leaders and the PDP, who rejected any form of autonomy as a substitute for independence. On the occasion of the final public consultation in Jayapura in late March 2001, public anger boiled over and violent clashes occurred between police and student protestors (SKP 2001).

Notwithstanding such opposition, the drafting team eventually produced a final version of the bill, which they submitted to Governor Solossa in April 2001. While falling well short of independence, the bill made provision for a referendum to be held after three years of special autonomy, as well as granting extensive new powers to the province (see below). Once the completed draft had been submitted to the governor, members of the drafting team embarked on an intense lobbying and advocacy campaign to shepherd the bill's passage through the national parliament (DPR). Almost immediately, however, the team encountered strong resistance from centralist elements within the government.[4] In particular, the Ministry of Home Affairs had already submitted its own draft to the DPR, a watered-down version lacking many of the powers stipulated in the provincial draft. An interdepartmental committee outlined 471 'problems' in its official review of the provincial bill. Reinforcing such stiff opposition from the bureaucracy, arch-nationalists in the DPR lobbied to have the provincial bill rejected by the DPR in favour of that drafted by the Ministry of Home Affairs.

Against such opposition, it appeared that the province's lobbying attempts had failed. The unitary state remained non-negotiable for key elements in the government, such as the military and the Indonesian Democratic Party of Struggle (PDI-P), the secular nationalist party that had garnered the most votes in the 1999 elections. Any initiative hinting at more 'federal' arrangements was therefore bound to provoke strong opposition from these quarters (Sumule 2003). Jakarta remained extremely concerned that by granting Papua special autonomy, the government would invite a cascade of political demands from other areas that could threaten the state's unity.

Nevertheless, the drafting team continued its campaign, and received backing from important elements within the parliament and executive. President Abdurrahman Wahid had long advocated the loosening of Jakarta's rule over the regions. Both his own party, the National Awakening Party (PKB), and the former ruling Golkar party, which had turned itself into a party representing regional interests, supported the Papuan bill in the DPR (Sumule 2003). A key breakthrough came from an unlikely quarter when Abdurrahman appointed retired general Agum Gumelar as the new Coordinating Minister for Politics and Security in mid-2001. As a military commander in Papua, Gumelar had developed a deep sense of sympathy for the plight of local communities, unusual for such a senior officer in the Indonesian National Army (TNI). When faced with the staunch support for the Papuan bill of Gumelar, the most senior-ranking minister in cabinet, the Ministry of Home Affairs dropped its insistence that the government's own version of special autonomy be preferred.

Once it had been accepted for consideration, the Papuan bill enjoyed a speedy passage through the DPR and in November was passed as Law No. 21/2001. A key impetus was undoubtedly the tireless efforts of the drafting team, whose members maintained a presence in Jakarta throughout the process, providing critical reassurance and explanations to DPR members on the law's more far-reaching articles. The impeachment of Abdurrahman and subsequent transfer of power to Megawati also probably assisted in the bill's passage through parliament, by diverting the attention of many legislators and helping to avoid a prolonged debate.

## ACKNOWLEDGING PAPUAN RIGHTS: THE SPECIAL AUTONOMY LAW

The final law contained a number of significant changes.[5] For instance, it omitted the reference to a referendum. Despite the changes, it avoided the fate of the previously passed Aceh law, which offered only a very weak form of autonomy.[6] The Papuan law still contained major concessions and attempted to accommodate at least some of the key demands made by Papuan leaders. Papuan mistrust of Jakarta, however, meant that key sections of the community rejected special autonomy, with the law's supporters being confined mainly to local officials and academics. Despite the lack of public support, the law invested substantial powers in the province to manage its own affairs (particularly articles 1.2 and 4.1), including authority over all matters except foreign policy, monetary policy, security and defence.

In fact, special autonomy represented a watershed in Jakarta's relations with the regions. Whereas the decentralisation laws passed under Habibie had transferred power and resources to district governments, special autonomy was

granted at the provincial level. The decentralisation strategy was designed to undercut the appeal of region and ethnicity by bypassing the provinces and devolving power directly to local government. This policy was strictly limited to administrative and fiscal decentralisation; special autonomy, in contrast, explicitly linked the devolution of power and redistribution of resources to cultural and ethnic rights. The recognition of minority ethnic rights is a strong element that runs through the Special Autonomy Law for Papua, marking a radical change in centre–region relations. In fact, in making a distinction between indigenous (*asli*) and non-indigenous Papuans (article 1), special autonomy represents a departure from the ideal of Indonesian civic nationalism, with its stress on uniformity and rejection of ethnic political identity. In contrast, special autonomy is framed by exactly the same sense of minority grievance and ethnic/cultural distinctions that generated Papuan ethnic nationalism.[7]

This acknowledgement of ethnic minority rights extends to addressing Papuans' control over and access to economic resources. The law recognises the communal ownership of land (*hak ulayat*) and customary law (*hak adat*) in Papua, obliging outside investors to negotiate with traditional landowners over land use. This acknowledgement of customary land rights is not absolute, however; it is qualified by reference to national laws, with existing land contracts remaining valid. Special autonomy also mandates affirmative action policies to increase the representation of Papuans in the bureaucracy and the justice sector, formalising policies already introduced in the recruitment and promotion of Papuans in government. This has already had a dramatic impact, with 443 of the 600 provincial police recruits for 2002 being indigenous Papuans.[8] In the civilian bureaucracy, the governor has estimated that 40 per cent of all civil servants are Papuans, rising to 70 per cent for the top posts (ICG 2002c: 8). The Special Autonomy Law places particular onus on the government to improve educational and health services. In response, the provincial government has announced free health care and free elementary and secondary schooling for indigenous Papuans.

Thus, at its core, special autonomy is designed to provide greater legal protection and recognition of the basic rights of local Papuan communities.[9] Its centrepiece is the establishment of the Papuan People's Assembly (MRP). The assembly is to have 42 Papuan members from *adat* communities, women's organisations and religious institutions in equal numbers. (Candidates cannot be members of the police, the armed forces or a political party.) The law grants the MRP wide-ranging powers, such as review and veto authority over the selection of candidates for the governorship, and over all implementing regulations related to special autonomy (article 20). The assembly can also request an explanation and review of policies that adversely affect the rights of indigenous Papuans, with local and provincial governments throughout the province being obliged to respond to such requests. Under the law, MRP members are granted

the equivalent of 'parliamentary privilege', giving them an unfettered right to express pro-Papuan sentiment, although the law stipulates that assembly members must support the unitary state. Taken as a whole, the powers granted to the new assembly are likely to introduce a level of government accountability lacking so far in Papua.

Another critical dimension of special autonomy is the redistribution of government revenue. Under Law No. 21/2001, Papua will be granted a substantial increase in its budget. For decades the exploitation of natural resources in the province has provided a major source of revenue for the central government, with Papuans receiving only a small portion of this. The new law implicitly acknowledges the disadvantage and neglect the province has suffered. Thus, over a 25-year period, Papua will gain a 70–80 per cent share of natural resource revenues, priority in the Special Allocation Fund (DAK), a guaranteed 2 per cent of the General Allocation Fund (DAK),[10] as well as additional monies to improve the province's underdeveloped infrastructure (article 34).

The increase in provincial revenue has already been dramatic. In 2001, under decentralisation laws passed in 1999, provincial revenue totalled about Rp 700 billion, an increase of 50 per cent over the previous year.[11] Under special autonomy, revenue has increased by nearly an additional 300 per cent, to Rp 1.95 trillion in 2002. In 2003 revenue is expected to compound even further, as the central government is expected to approve additional special infrastructure funds of up to Rp 3 trillion.[12] This flow of investment and resources into the province provides an opportunity for government to address some of the critical needs of local communities.

Other notable aspects of special autonomy include provisions on migration that give the provincial government and police the legal authority to impose controls on new migration to the territory.[13] The law also stipulates that the province can adopt cultural symbols, such as a flag and an anthem, to signify the distinctive cultural identity of Papuans, although these should not be used as a sign of sovereignty. Another significant part of the law is its provisions on the police. It stipulates that the security activities of the police are to be 'coordinated' with the governor and, in the area of upholding civic order, that the police chief is to be directly responsible to the governor.

The Special Autonomy Law also contains important provisions on human rights. The law mandates that the central government will establish a representative office of the National Human Rights Commission (Komnas HAM) in Papua, launch human rights trials, and set up a truth and reconciliation commission to undertake 'a clarification of Papuan history'. With human rights abuses being the major source of Papuan grievance, this is a key provision of the law. However, human rights groups have expressed disappointment at the few powers granted to the province to address rights abuses, pointing to key differences between the bill as drafted by the Papuans and the final law. In the

draft bill, the new human rights institutions would have been controlled by the province, whereas in the final law this authority is vested in the central government.[14] Furthermore, the law's stipulation that a truth and reconciliation commission 'clarify' the historical record weakens the initial demand for a 'rectification of history' with all that this implies.

Papuans have good reason to be concerned about Jakarta's role in establishing the new human rights and reconciliation instruments stipulated under the law.[15] But the article relating to human rights is very generally worded, and responsibility for drafting the implementing regulations is in the hands of the provincial government, with final approval to be given by Jakarta. It is not certain that the central government would have the necessary political will or policy focus to roll back provincial implementing regulations that invested real power in the human rights institutions created under the Special Autonomy Law. The provincial government has appointed a local human rights activist to head the team to establish the new institutions. The team has set about drafting implementing regulations to establish a regional office of Komnas HAM, investing the local body with considerable autonomy and making the national commission's authority over it more formal than substantive.[16] It remains an open question as to whether the province can fashion human rights instruments that provide at least some protection to local communities.

## CAN THE GOVERNMENT DELIVER ON SPECIAL AUTONOMY?

With special autonomy coming into effect on 1 January 2002, attention has turned to the raft of implementing regulations that need to be drafted within two years, as stipulated by the law. Nearing the end of the first year of implementation, few such regulations have been drafted, and the government decree establishing the MRP still languishes in the central bureaucracy awaiting the president's signature, a full four months after submission of the draft. The establishment of the MRP represents a kind of founding act of special autonomy, as one of the assembly's main roles is to approve all implementing legislation. Without the MRP, special autonomy cannot be fully enacted. Jakarta's apparent reluctance to approve the MRP regulation has thus provoked concerns in Papua that special autonomy, which was launched under the tenure of Abdurrahman, does not necessarily enjoy support from Megawati's more conservative government.[17]

Such concerns grew when moves to subdivide Papua into three provinces gained momentum. A group of 300 Papuans met with Megawati in September 2002 to express their desire for the redrawing of provincial boundaries, raising concerns that elements within the central government were attempting to undermine special autonomy (*Republika* 2002). Plans to subdivide the province

derived from the Ministry of Home Affairs, and the aborted attempt by the Habibie government to implement a law creating two additional provinces in Papua. The latest initiative was fuelled by a group of local officials and their supporters, who had much to gain from the establishment of the new provinces. They were able draw on the discontent of local governments over the revenue-sharing arrangements reached under special autonomy.[18]

Megawati's accommodation of military interests and the strongly nationalist orientation of the president and her party were valid reasons for Papuans to remain wary of the government's overall commitment to the region. The far-reaching nature of the Special Autonomy Law must have provoked concerns that other provinces would demand similar concessions from Jakarta, undermining the whole concept of the unitary state.[19] But with the law already in the implementation stage, Jakarta was risking a major backlash and demonstrating an enormous breach of faith by not supporting special autonomy fully.

In the face of Jakarta's feet-dragging, the provincial government, including the DPRD, has maintained strong support for special autonomy. Governor Solossa, Vice-Governor Karma and key bureau heads have not only repeatedly visited Jakarta to highlight the need for timely implementation of the law, but have also continued to promote the law within Papua where many elements within the local community have remained sceptical. While provincial authorities have themselves been criticised for their slowness in drafting the necessary implementing regulations, the governor and vice-governor have tied their political fortunes to the success of special autonomy.

A key obstacle for Solossa and Karma lies in the weakness of the local bureaucracy and its inability to provide basic government services across a territory that spans some of the most inaccessible terrain in the world. Lacking basic transport and communications infrastructure, the province is home to highly dispersed and isolated rural communities. For special autonomy to work, the funds redistributed under the new law will need to be translated into discernible improvements in the welfare of these communities, requiring the kind of local government capacity so far lacking in Papua.

Looming as a serious obstacle to building this kind of capacity is the prospect of corruption becoming entrenched in Papua. With new revenue flows already resulting in a dramatic increase in provincial revenue, reports of large-scale corruption have already begun to dominate the local media. The province lacks a strong system of checks and balances, and the kind of community controls over the executive that would help to ensure transparency and accountability in policy-making and budgeting. In the absence of such checks and balances, community leaders have raised serious concerns about the misuse of funds allocated under the new law (Sumule 2002). The prospect of corruption and the siphoning off of funds by local elites would not only undermine attempts to improve public services and enhance the welfare of local commu-

nities, but would erode public confidence in the special autonomy process itself. By the end of 2002, the public was becoming increasingly critical of local Papuan officials for being just as prone to corruption and rent-seeking behaviour as the non-Papuan officials they had replaced.

## ERODING PAPUAN RIGHTS: IMPUNITY AND MILITARY REPRESSION

If the above analysis highlights some of the challenges to the law's implementation, it is also necessary to examine the larger national forces shaping the political environment and constraining the exercise of rights established under the law. In particular, the broader issue of military reform remains outside matters regulated by the new law; indeed, defence and security policy are explicitly excluded from the new powers granted to the province under the law. Whatever progress is achieved under special autonomy, lack of national reform in the justice and security sectors is likely to undermine attempts to restore local Papuan confidence in the state. The continued arbitrary actions of the security forces are likely to erode the rights enshrined by the new law, fuelling further local resentment towards Jakarta.

The murder of Papuan independence leader and tribal chief Theys Eluay in November 2001 underscores the point. As a young man, Eluay was one of the Papuan delegates to vote for integration with Indonesia in the 1969 act of free choice. In subsequent years he became a member of the provincial parliament from the governing Golkar party, but was most notorious for his links with the military, particularly his role in intimidating and informing on fellow Papuans opposed to the Soeharto regime. Eluay was therefore an unlikely figure to emerge as a leader of the independence movement once Soeharto had resigned. His role and exalted status as a tribal chief assisted Eluay to reinvent himself, but it was his very modern skill in shaping public opinion through the mass media that was crucial to his unlikely transition from local collaborator to independence leader.

Eluay's murder by Special Forces troops the month after the Special Autonomy Law was passed gave rise to speculation that the army wanted to derail implementation of the law by provoking disturbances to unsettle the province (Elsham Papua, Legal Aid Institute Papua and Kontras Papua 2002). Whatever the motives for the murder, the actions of the troops highlighted the impunity with which the military had long operated in Papua. Thus, having killed the province's pre-eminent independence spokesperson and *adat* leader, armed forces personnel attempted to shoot a key eyewitness and intimidate others as police investigations inched closer to implicating the TNI (Siboro and

Tahilramani 2002). These were the actions of a military lacking any accountability and unencumbered by either civilian control or the rule of law.

Eventually unable to deny the mounting evidence against it, the military changed its position to one of portraying the murder as a common crime committed by soldiers acting outside the chain of command (Donna 2002; Greenlees 2002). The National Investigating Commission established by the government following a public outcry was unable to classify the case as a human rights abuse – deeming it, rather, an ordinary crime – because individual assassinations were not covered under prevailing human rights legislation (Greenlees 2002). Under Indonesian law, common crimes committed by armed forces personnel are investigated by military police and the perpetrators tried in the military courts. With the armed forces in charge of the case, there was never any likelihood that the truth about who had planned the killing, or the motives behind it, would become known. It was even less likely that any senior officer would ever be charged or brought to trial.

The murder of Eluay, and the failure to properly investigate the crime, exacerbated local resentment towards Jakarta. This and similar abuses of power eroded what goodwill the offer of special autonomy may have generated among the Papuan community. It also breathed new life into the PDP, at least in the short term, placing the independence movement back at centre stage of Papuan politics and providing the movement with a martyr to mourn.[20] Before Eluay's death, the PDP had been struggling to formulate a credible political strategy to maintain its momentum after the initial enthusiasm produced by the Papuan People's Congress in 2000, at which delegates from across the territory had decided to establish the PDP to fight for Papuan independence.

Jakarta's continued mishandling of its relationship with the province reinforced the impression that the central government was not only not serious about righting the wrongs of the past, but that it was intent on subjugating the territory and its people. Human rights groups claimed that Eluay's murder bore all the marks of a state crime (Elsham 2001). They argued that the assassination must have been planned in Jakarta and undertaken by operatives working for the central government, and claimed that the subsequent cover-up went all the way to senior government leaders. Suspicion as to who ordered the murder immediately fell on Hendropriyono, head of the National Intelligence Agency (BIN) and a retired military officer with strong links to Megawati. But the true extent of central government involvement will probably never be known.

What is clear, however, is that the murder and apparent cover-up has further eroded Papuan allegiance to the Indonesian state. Even before Eluay was killed, the Special Autonomy Law had been rejected by many Papuans with an abiding distrust of Jakarta. In the light of the murder, the concessions contained in the new law appeared to many as at best a trivial gesture, at worst a cynical ploy.[21]

Abuses of this kind are unlikely to abate in the foreseeable future, not only because of the continuing impunity enjoyed by the security forces, but also because of the considerable incentives for the TNI to maintain a strong presence in the province. Conflict-prone provinces such as Papua have become central to the military's rationale for maintaining a key role in the post-Soeharto political order. Papua possesses a rich resource base from which lucrative business opportunities have flowed to the armed forces.[22] The province's political strife and pro-independence movement allow the TNI to present itself as the guardian of the nation. In response to calls for independence, it has mounted a high-profile public campaign to highlight the threat of national disintegration.[23]

By positioning itself as the main defender of national unity, the military has sought to resist calls for more widespread military reform. The decision by the annual session of the MPR in 2002 to phase out TNI representation in the DPR and MPR by 2004 has effectively ended the formal political role of the armed forces. But the military has maintained its extensive involvement in the economy and continues to play a key role in providing internal security in restive regions such as Papua and Aceh. Thus, while posts formerly allocated to the military in the civilian bureaucracy and parliament have grudgingly been conceded to civilian politicians, the TNI has offered no such concessions with regard to its regional and economic interests (Go 2002; Mietzner, Chapter 16, this volume). The TNI's role in security and its involvement in economic activities in fact represent a far more significant element of military power and privilege than its representation in the national parliament. Indeed, the TNI has been able to establish a high degree of independence from civilian control in the post-Soeharto era through its continuing involvement in security operations against separatist movements and through the retention of its own economic base. These foundations of military autonomy suggest political strife in Papua will continue, with powerful imperatives driving the TNI both to stay deeply engaged in the province and to promote military action to counter regional dissent.

The most alarming development foreshadowing growing violence in the province were reports throughout 2002 of the formation of civilian militias in Papua, with indications of some military involvement. Local Papuan leaders expressed particular concern over the arrival of volunteers from Laskar Jihad, a militant Islamic group, and the formation of an East Timor-style militia group known as Barisan Merah Putih (Red and White Front) (England 2002; Timberlake 2002; Elsham 2002a, 2002b, 2002c). The numerical strength of these militias is difficult to quantify, with estimates varying wildly from several hundred to several thousand.

In light of the havoc wreaked on East Timor by military-backed militias, there are serious concerns that the military may be seeking to destabilise Papua in similar ways. The use of civilian security forces and militias has a long tradition in Indonesia (Anderson 2001). People's militias were a crucial part of

Indonesia's struggle for independence, and a variety of civilian auxiliaries have been used to reinforce the regular army throughout Indonesia's history (Cribb 1991). As a normalised security practice, the existence of armed civilian groups as auxiliaries of the state has not provoked the universal condemnation that it would in liberal democratic states. On the contrary, at least in private, many state functionaries, including senior officers, have viewed the use of militias as a legitimate tactic in countering separatism and criminal activity.

Furthermore, under the New Order, the military developed a fearsome capacity for covert operations and counterintelligence, particularly in the restive provinces of Aceh, East Timor and Papua (McDonald et al. 2002). Often operating in a shadowy world outside the law, military officers, particularly from elite units such as the Special Forces, have supported the creation of militias and developed links to criminal elements (Lindsey 2001; Kammen 2001). Using such groups to act on their behalf, officers have been able to intimidate so-called enemies of the state or even destabilise security conditions – thus justifying tightened security measures – without having to take direct responsibility for their actions. This is why reports of militias becoming active in Papua have provoked fears of a security crackdown.

Police operations launched in the latter half of 2002 against 'separatist groups' have also raised concerns of an impending confrontation in Papua. The police plan was to investigate, prosecute and eliminate organisations advocating independence, including the PDP and unnamed human rights groups. The provincial police chief, Made Pastika, popular for the transparency with which his officers had investigated Theys Eluay's murder, told human rights groups they had nothing to fear.[24] He claimed that his real intention was to promote a dialogue on how separatism could best be tackled. But official documents made available to the public indicated that the police had specific plans to dismantle the PDP and prosecute its key leaders, while also casting a wider net by targeting NGOs thought to be using human rights as a cover to promote a separatist agenda.[25] Combined with the hard-line rhetoric coming from military commanders, the police plan provoked fears throughout the Papuan community that the government would take an even more repressive approach.

## LOOKING AHEAD: AUTONOMY AMID CONTINUING CONFLICT

I began by asking whether special autonomy might provide the basis for a de-escalation or even resolution of separatist conflict in Papua. Recent research shows that the crafting of autonomy arrangements has become an effective means for government to address ethnic conflicts (Gurr 2000). But political devolution and state recognition of minority rights may do little to reduce conflict if the rule of law is not upheld and the security sector remains unreformed.

In Papua, this is likely to mean that minority communities are unable to fully exercise the rights that autonomy arrangements are designed to enshrine in law. Moreover, a further deterioration in security conditions could complicate government attempts to implement the law. Those looking to special autonomy as a breakthrough initiative that will bring peace to Papua will therefore be disappointed. The likelihood of continuing abuses by the security forces leads one to the depressing conclusion that Papua will experience more conflict, not less, in the future. In the absence of the reform of national institutions, and of Jakarta accepting the need for a dialogue with local leaders, Papuans will remain alienated from the state.

This alienation has historically shaped a deepening sense of Papuan ethnic identity and helped generate calls for independence or freedom (*merdeka*). *Merdeka* represents a powerful and alluring set of ideas for Papuan communities. As a number of recent anthropological studies have shown, it has become a central concept through which Papuans have framed contemporary understandings of their situation and sought to empower themselves in the face of the highly disruptive processes of modernisation (Timmer 2000; Rutherford 1999). The same studies show how demands for *merdeka* across Papua represent the fusion of a variety of deeply rooted cultural strands – of modern nationalism, Christian theology and traditional Melanesian millenarianism. Popular support for *merdeka* therefore encompasses both modern secular notions of nationhood and pre-modern myths of death and redemption. In light of such complex social understandings, it would be unrealistic to expect that special autonomy could fully address the larger historical and discursive forces playing themselves out in the territory. In fact, it may turn out that special autonomy – through its economic impact in particular – could accelerate the effects of large-scale economic development and migration in reaction to which Papuan demands for *merdeka* have been gathering momentum.

To dismiss special autonomy as irrelevant because it does not offer a definitive solution to the current conflict would be to unduly limit our perspective. For while special autonomy does not comprehensively address Papuan demands, it may still generate fundamental changes related to the empowerment of local institutions. Planned new representative institutions such as the MRP, if they remain independent and are viewed as legitimate by local communities, could significantly enhance the ability of Papuans to advance their rights in key areas.

An important factor here will be whether elements in the central government seek to recentralise authority. In delaying its approval of the establishment of the MRP, the Megawati government has raised serious questions about whether it will continue to support special autonomy. The TNI also has a strong incentive to undermine efforts to give greater powers to local communities, par-

ticularly if special autonomy becomes the means for locals to wrest control of natural resources from business interests linked to the military.

The early evolution of the MRP and the means by which its members are selected are likely to have a significant bearing on the future outlook for Papua – that is, if Jakarta does not seek to disrupt the implementation of special autonomy and weaken the MRP, which remains a key question. If the MRP is eventually established and does retain the authorities invested in it according to law, then a democratically elected assembly would enjoy popular legitimacy and would probably contain a significant number of PDP supporters. The provincial government would prefer that members of an inaugural MRP be nominated by the governor, a move that would reduce the popular mandate of the assembly. But even if the governor were to appoint its members, it is improbable that he would risk opposition from significant local organisations by appointing candidates not supported by the community. It therefore seems likely that the MRP will consist of leaders of the most respected institutions in Papua, vesting it with strong legitimacy. Composed entirely of Papuans, the MRP would be in marked contrast to the provincial assembly, less than 50 per cent of whose members are indigenous Papuans.

In the 1999 national election, under Indonesia's modified proportional electoral system, voters did not vote directly for individual candidates but rather for parties. Candidate selection was determined largely by party bosses. The MRP, in contrast, will be made up of leaders drawn directly from religious organisations, women's groups and *adat* communities, and with a genuine claim to represent the Papuan community. It would be a foolhardy executive that ignored the MRP's moral authority. The assembly will therefore have enormous potential to shape public debate, subject government policy to scrutiny, and become the main vehicle through which Papuan rights can be advanced and protected.

The potential role of the MRP has already provoked concern on the part of local government leaders. Some local legislators and government officials warn privately that the MRP could unleash unwelcome populist forces and undermine other institutions.[26] They argue that the MRP's right of veto over many government regulations carries with it the risk of government deadlock and paralysis if it is not used wisely. They are also concerned that the assembly could become a forum for pro-independence sentiment, although the law makes it clear that members are obliged to remain loyal to the unitary state of Indonesia. Some even say that the special autonomy provisions provide Papuans with independent institutions and symbols, such that it would be only a small step to declare the province independent.

These kinds of concerns may ultimately prove exaggerated. Papuan demands for independence, even if backed by the new assembly, have little prospect of receiving significant international support – an important precondi-

tion for secession – in the foreseeable future. While independence remains a distant prospect, special autonomy could strengthen the capacity of local communities to demand their rights in key areas and bolster the province's bargaining position vis-à-vis Jakarta. Special autonomy offers local communities greater institutional resources to reject continuing misrule and repression by Jakarta. The emergence of stronger local institutions and leaders is not only likely to reshape the domestic environment in Papua, it could galvanise international human rights groups. Indeed, the combination of local empowerment through autonomy and continuing repression could not only result in a major confrontation between security forces and local communities, it could create greater tensions between Jakarta and the international community over human rights.

## POSTSCRIPT

On 27 January 2003, as this volume was going to press, Megawati issued a Presidential Instruction ordering the Ministry of Home Affairs to implement Law No. 45/1999. This law subdivides Papua into three separate provinces: Papua, West Irian Jaya and Central Irian Jaya. The government claims that the subdivision is intended to improve service delivery and enhance economic development for local Papuan communities. Home Affairs Minister Hari Sabarno has been quoted in the press as saying that the creation of the new provinces will not disrupt the implementation of special autonomy.

The chair of the provincial DPRD and local Papuan leaders have condemned the government's plan, claiming that they were not consulted. Papuan critics say that the subdivision plan makes nonsense of the Special Autonomy Law, as it would be impossible to implement a law for a territory whose provincial boundaries were being fundamentally redrawn. They point out that the Presidential Instruction contravenes article 76 of the Special Autonomy Law, which stipulates that the province can only be subdivided with the explicit approval of the DPRD and the MRP. Furthermore, as public opposition to the government's plans mounts, the draft regulation for the MRP still languishes in the central bureaucracy, raising ever more serious doubts about Jakarta's commitment to special autonomy.

These latest developments not only reflect the kinds of policy struggles surrounding the Special Autonomy Law, but also highlight the arduous challenges facing Papuans in attaining their basic rights.

## NOTES

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1 Interview with the director of the Legal Aid Institute Papua, Demianus Wakman, Jayapura, 22 April 2002.

2 The government had initially sought to address separatist claims through the two decentralisation laws passed in 1999, Laws 22/1999 and 25/1999. Both, however, were drafted in Jakarta by a group of 'political technocrats' led by Ryaas Rasyid, with little consultation with, or input from, the regions.

3 Interview with the late chair of Yayasan Silo, Yefeth Yelemaken, Jayapura, 21 April 2002.

4 The following account of the progress of the draft bill is taken from interviews with leading members of the drafting team, Drs Mal Wanaha MA and Drs Mohammad Abud Musa'ad M.Si, Jayapura, 7 June 2002.

5 The most substantive changes concerned articles on the police, human rights, the rectification of history, a referendum, migration policy and land rights. The provincial bill allowed the governor to determine the levels of security forces in the province, while the final law provided only a 'coordinating role' for the governor. In the provincial bill, past abuses were to be addressed by locally based human rights machinery, whereas in the final law human rights investigations and prosecutions would be undertaken by national-level institutions with representatives in Papua. In the initial draft a moratorium on all migration was envisaged; the final law changed this to strong provincial oversight of migration. Indigenous land rights, which were acknowledged as absolute in the provincial bill, were qualified in the final law by the addition that traditional land rights would be subject to existing national laws. The final law also added a strong emphasis, not included in the provincial bill, that the granting of special autonomy for Papua took place within the framework of a unitary state of Indonesia and did not alter the form of the state. Other changes are noted in the text. For a more detailed comparison of the different versions, see SKP (2001) and Sumule (2002).

6 Indeed, with the Papuan drafting team expressing a relative degree of satisfaction with the final outcome, it is reasonable to conclude that the initial bill contained elements that the team understood were an 'opening bid' in their negotiations with Jakarta. This has been confirmed by key members of the drafting team (interview with Drs Mal Wanaha MA and Drs Mohammad Abud Musa'ad M.Si, Jayapura, 7 June 2002).

7 I am indebted to Richard Chauvel for highlighting this point. As the law states, 'governance and the implementation of the development in the province of Papua until now has not yet fully encompassed a sense of social justice, has not yet fully resulted in people's welfare, has not yet fully upheld the rule of law, and has not yet

fully reflected a respect for human rights in the Papuan Province, particularly for the Papuan community'.

8 Interview with Provincial Police Chief Drs Made P. Pastika, Jayapura, 15 August 2002.

9 Some critics of the law have focused on its revenue-sharing aspects, clearly a major concession from Jakarta. But it is also clear that the core objective of the drafting team was to enshrine in law basic minority rights for Papuans that go beyond mere revenue-sharing. This theme is highlighted in key documents concerning the drafting of the bill (see Drafting Team for the Bill on Special Autonomy for Papua Province 2001; Solossa 2001). The drafting team also published a booklet on the rights and responsibilities of Papuans under the new law, to assist in the promotion of the bill. The booklet was based on the manifesto of rights drawn up by the pro-independence PDP.

10 These funds are the main mechanisms used by the central government to redistribute revenue to local and provincial governments. It makes routine allocations through the DAU and finances special projects through the DAK.

11 The budget figures quoted here were provided by Cendrawasih University economist Julius Ary Mollet (interview, Jayapura, 16 August 2002).

12 Interview with provincial government officials, Jayapura, 14 August 2002.

13 In some circles this is a controversial article. Some members of the drafting team have expressed concern that migration controls may be subject to constitutional challenge, and that restrictions on the movement of non-Papuans into the territory are a challenge to the ideal of Indonesia as an ethnically pluralist, tolerant state that eschews racial or ethnic discrimination. Other concerns relate to the ability of the police and provincial government to implement the policy.

14 The negotiating team was persuaded that human rights issues should be addressed in the law through central government mechanisms, since human rights prosecutions and reconciliation efforts would require political will at the national level to be successful.

15 The representative office of Komnas HAM in Aceh, for instance, is characterised by ineffectiveness and low morale. The chair of Komnas HAM Aceh concedes that the office has lost most of it public legitimacy, saying not only that it has been limited by its lack of capacity, but that it has been thwarted in its efforts by the conservative leadership of the national body (interview with Iqbal, head of Komnas HAM Aceh, Banda Aceh, 6 July 2002). With respect to human rights trials, the first round of trials of officers accused over the violence in 1999 in East Timor has ended in only one conviction, a result criticised by human rights groups and the international community (ICG 2002b). As for the truth and reconciliation commission, a bill drafted by NGOs and the government has been languishing in the national parliament for nearly two years. Any commission set up in Papua would need to be established and regulated under this yet-to-be-passed national law.

16 Interview with Peter Ell, director of Kontras Papua, Jayapura, 15 August 2002.

17 The law contained an article stipulating that it would be subject to 'review' by provincial and central governments after three years, providing what some saw as a potential trip wire for Jakarta to withdraw the special autonomy offer, particularly if implementation of the law was faltering.

18 'Pemekaran Provinsi Papua Lahirkan Persoalan Rumit', *Kompas*, 23 September 2000; 'Masyarakat tidak Perlu Tanggapi Pemekaran Provinsi Papua', *Republika* 30 September 2002.

19 Interview with Drs Mal Wanaha MA and Drs Mohammad Abud Musa'ad M.Si (interview, Jayapura, 7 June 2002). Such concerns came from conservative elements within the military, the intelligence community, the PDI-P and the bureaucracy, particularly the Ministry of Home Affairs.

20 Although this is not to deny that the death of Eluay will be a major blow to the PDP in the longer term.

21 Interview with NGO leaders, 27–28 November 2001.

22 The military has extensive economic interests in Papua, at both the individual and institutional level. It therefore has a vested interest in protecting strategic industries such as large mining projects, the commercial holdings of its foundations and illicit economic activities such as illegal logging and smuggling (see, for example, Elsham 2002d).

23 The new military leadership installed under Megawati immediately stepped up TNI rhetoric about the threat of national disintegration and the crucial role of the armed forces in countering this threat (Siboro 2002).

24 Interview with Johannis Bonay, Institute for Human Rights Study and Advocacy (Elsham), Jayapura, 16 August 2002.

25 The documents, from the provincial police office, were leaked to a number of media and human rights groups in Jayapura. They outlined operational plans for how the police would conduct what was termed Operation Matoa Adil.

26 Interview with senior members of the provincial assembly, Jayapura, 16 August 2002.

# PART IV

# Institutions and Society

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# 14 DECENTRALISATION AND WOMEN IN INDONESIA: ONE STEP BACK, TWO STEPS FORWARD?

*Hana A. Satriyo*

> You must come home for the village head election day in July to vote for our new *lurah*. We never had any *lurah* from our own village before. Now we have candidates from our own village and it's time to make sure that our village will be developed …
>
> (letter from Tarmi to Sulasmi, May 2002)

The above quotation was taken from a letter received by my daughters' nanny from her cousin in her home village in Grobogan, Central Java. She told me people were fascinated by the election of the *lurah* (village head) and that all eligible voters (those with Grobogan ID cards, including herself) were being encouraged to come home to vote.

The story illustrates the changes taking place in Indonesia. For many ordinary people, a new era of popular representation has begun. They now have the opportunity to vote for someone they know to lead their village rather than having their *lurah* appointed for them by higher authorities. This new development was made possible by the political changes in 1998 that paved the way for the country to embark on a decentralisation program in January 2001. Many of the 'ordinary people' affected by these changes are women, who make up around 51 per cent of the Indonesian population and 57 per cent of eligible voters. The sweeping changes brought about by decentralisation will have major impacts on them. It is these impacts that this chapter examines.

The chapter is divided into four sections. The first summarises some of the arguments made in favour of decentralisation and examines the implementation of decentralisation thus far. The second considers the challenges that decentralisation poses for women, and the third examines the opportunities it has brought, at least in some parts of Indonesia. Finally, the chapter argues that both civil society and the state need to favour particular initiatives and policies if women's interests are to be fully served in the decentralisation process.

## IMPLEMENTATION OF A *REFORMASI* AGENDA

The regional autonomy program, as an agenda for reform, was initially introduced as a response to regional disappointment with the central government. Under Soeharto, the state was run from Jakarta with almost no consideration given to the specific conditions of the regions. By giving unprecedented power to the local level of government, Law No. 22/1999 on local governance was intended to bring government closer to the people and allow them to make decisions on matters of direct concern to them. It was expected that the regional autonomy program would accelerate the democratisation agenda, prevent the nation from breaking apart, and ensure good governance at all levels of administration.[1]

During its first year of implementation, decentralisation led to a number of important developments in the area of governance, in particular in the participation of civil society (Asia Foundation 2002a). There was a substantial increase in the number of citizens' forums in both cities and districts (*kota*/*kabupaten*) throughout Indonesia. These placed local governments under considerable pressure to give the public a greater say in local policy-making processes. In the industrial town of Majalaya in West Java, for example, the Forum for a Prosperous Majalaya (FM2S) has been active in promoting policies that will benefit the town (Sjaifudian 2002; Antlöv, Chapter 5, this volume). In the city of Gorontalo, capital of the newly formed province of Gorontalo on Sulawesi, the local government has even issued a regulation on transparency and accountability that recognises the importance of public participation in policy-making.

Not all of the developments accompanying decentralisation have been positive, however. For example, many difficulties have been encountered in the transfer of personnel, assets and documents from the central to local governments. In the fiscal area, problems related to the General Allocation Fund (DAU) have included delays in the transfer of funds to the regions, a lack of transparency in devising and applying the formulae for revenue sharing between the central and regional governments, and allegations of corruption and collusion against local government officials and parliamentarians.

Throughout 2001–02, reports on problems associated with the implementation of decentralisation appeared regularly in the Indonesian local and national media. Regional autonomy has also become a fashionable topic for seminars and workshops in both Jakarta and the regions, with critics and supporters arguing fiercely about whether the realised and potential benefits of the process outweigh the many evident problems. In these discussions, one important element is usually missing: how the regional autonomy program is affecting women. If one of the objectives of decentralisation is to democratise Indonesia, then it should provide an opportunity for Indonesian women to play a greater

role in politics. But does the regional autonomy program really pave the way for Indonesian women to be recognised as full citizens with greater power and a better chance to express their political aspirations? Can the decentralisation program put an end to the marginalisation of women in the public sphere?

As mentioned above, one objective of decentralisation is to promote democratisation by instilling a participatory policy-making paradigm at the local level. The idea is that people will have a much greater input into the decisions affecting their lives if those decisions are made at the local level. But for policy-making to be truly participatory, it must involve women. As the majority users of public services, women should be involved in the planning, implementation, monitoring and evaluation of the devolved public services, as well as the formulation and implementation of regional development programs, local regulations and budgetary decisions. These issues are at the centre of the debate about the service delivery function of local government. Therefore, it is essential that women's opinions and suggestions on such issues be taken into account.

## CHALLENGES OF DECENTRALISATION FOR INDONESIAN WOMEN

Women's political participation reached its lowest point during the New Order period. The strong central government in Jakarta was able to intervene in the activities of all formal and informal political institutions, at both the national and the local level. As part of its tight control over political parties and national and local parliaments, the Soeharto administration made sure that most women politicians were appointed on the basis of their connections with prominent and politically powerful men. The limitations on women's political participation were even greater at the local than at the national level. Structural barriers (such as party regulations) preventing women from entering local political institutions worked hand in hand with patriarchal values to discourage women from taking up public positions and participating in public affairs. In any case, with all policies and decisions being made in Jakarta, local politics rarely made a difference for the local community. This lessened the incentive for women to participate in politics.

Since the implementation of decentralisation, it has become clear that the challenges faced by Indonesian women in the new era of decentralised governance are coming from different fronts. Some have been brought about by the introduction of the policy itself, while others are old problems that cannot necessarily be solved by decentralisation. The discussion below outlines some of these problems.

First, there has been a significant decrease in the number of women representatives in both the national and local parliaments. The proportion of women

in the national parliament fell from 13 per cent before the 1999 election to 7.8 per cent after it. This is far below the average figure of 13.7 per cent for female representation in national parliaments worldwide (Wall 2001). The situation is even worse at the local level, where the figure is 2 per cent against an average worldwide of 4 per cent. Many districts in Indonesia do not have even a single woman member in their regional assemblies (DPRDs). As a result, regulations that affect women's interests are often passed without being subjected to any gender analysis whatsoever.

Although this problem is not a result of the decentralisation policy, it demonstrates that the laws enacted in 1999 on elections and political parties have overlooked the importance of women's representation in parliament. One could argue that the presence of women legislators does not of itself guarantee the promotion of women's rights and interests in policy-making, but studies show that it has proved useful (Miyaoi 2001; Karam 1998). New political parties competing in the 1999 election had limited time and great difficulty in recruiting even good-quality male candidates, not to mention women. Nevertheless, it is also true that the male-dominated political party machinery has geared the recruitment process almost exclusively towards men, particularly those who are already members of a national or local elite and may therefore be able to attract mass support for the party from voters. Political parties – both new and old – do not view women's issues or the promotion of women candidates as important. The popular perception that politics is a dirty business further adds to the difficulty of finding willing female candidates, as many women do not see politics as a suitable place for them to participate. On top of that, there are no national laws or regulations to ensure women's representation. The efforts of women's groups before the election to push for affirmative action and quotas were not given serious attention.

Second, women's participation in public decision-making is in general still limited, as is confirmed by the findings of the first Indonesia Rapid Decentralisation Appraisal (IRDA) conducted by the Asia Foundation (2002a; see also Colongan, Chapter 6, this volume). This is especially apparent in the formal consultations conducted by local parliaments and administrations when drafting local regulations and budgets. While they continue to invite representatives of the Family Welfare Empowerment Movement (PKK) and other government-affiliated women's institutions to attend meetings, as they did before 1999, the presence of these women is a mere formality; there is little or no participation by or consultation with them. In the pre-decentralisation era, almost all decisions involving the regions were made by the central government. With the devolution of authority to regional governments, the districts now have the power to make decisions on issues affecting the local community. However, a mechanism to ensure that such decisions are made through democratic processes and with women's involvement is not yet in place.

The lack of women's participation in policy-making at the local level, and consequent absence of a gender perspective in the policies so produced, is of concern. A failure to deal with this problem will have the long-term effect of further marginalising women. Research on transparency and gender sensitivity at the local level carried out in six districts by the Centre for Regional Development Studies (PSPK) shows that there are structural problems hampering women's participation in the all-important budgetary process. In the first place, there are almost no sex-disaggregated data that can be used to make budget programs more gender-sensitive. Such data are useful in predicting the effects of particular policies on men and on women, and therefore provide guidance on the needs of each target group (Surbakti 2002: 209–18). In addition, women make up less than 1 per cent of officials with decision-making authority in local government offices (that is, those in echelons I and II of the civil service hierarchy). This means that women are hardly ever involved in drafting even the routine budget for their own office, let alone for their particular government sector (health, education, trade and so on). Women officials receive limited training and rarely have the authority to demand greater public participation for women in decision-making processes (PSPK 2002).

Third, in some areas decentralisation has been accompanied by a revival of conservative religious interpretations of gender roles. This phenomenon is especially apparent in attempts by minority groups of conservative Muslims, outside the mainstream of Muhammadiyah and Nahdlatul Ulama (NU), to achieve their long-held goal of implementing *syariah* law. Some Islamic parties pursued this agenda at the national level by proposing a constitutional amendment that would have required all Muslims to observe *syariah*. When this failed, Islamic groups attempted to have *syariah* implemented at the local level, despite the provision in article 7 of Law No. 22/1999 that religion will remain a matter for the central government. The only region that is exempt from this provision is Aceh, which was granted limited authority to implement *syariah* under the provisions of the Special Autonomy Law for that province (Law No. 18/2001).

In Cianjur and Tasikmalaya in West Java, the district heads (*bupati*) have made the wearing of head scarves (*jilbab*) mandatory for female civil servants, including in private enterprises such as banks. Similar regulations are in place in all districts in West Sumatra and some districts in South Sulawesi. In West Sumatra, the *jilbab* is also part of the school uniform.[2] Local authorities rarely use the term *syariah* to describe their new policies, presumably because they know they do not have the legal authority. Instead, they say that their policies are designed to uphold 'morality and order'. Most of the local politicians, religious leaders and other people of influence who have expressed support for *syariah* are either trying to build support for the next election or have been subjected to pressure by militant groups. However, there are also those who genuinely believe that it is their religious duty to promote *syariah*.[3]

It should also be noted that in some cases the attempts of *bupati* to enforce conservative religious interpretations of women's roles have so outraged local populations that the *bupati* were forced to back down. This was the case with a proposal to enforce a night-time curfew for women in Padang in West Sumatra (*Kompas*, 18 June 2001), and another to oblige female students in West Jakarta to wear the *jilbab* (*Kompas*, 21 July 2002).

Fourth, in some regions there has been a revival of gender-insensitive or even discriminatory local customs (*adat*). Many regions have viewed decentralisation as an opportunity to reassert the role of local culture and customary laws that had been suppressed by the New Order government under its policy of national uniformity in (among other things) the structure of village government. This new trend of looking for 'local wisdom' is not necessarily problematic; on the contrary, one aim of decentralisation is to ensure that distinct regional identities may flourish. The reintroduction of traditional village systems of governance, such as the *gampong* in Aceh and the *nagari* in West Sumatra, demonstrates that this aim is being realised. However, in some areas the revival of *adat* laws has provided room for the reassertion of customs that take a conservative view of women's status and roles in society.[4] Some *adat* laws still do not recognise the right of women to own property, receive even a small share of their inheritance, earn an independent income or gain a higher education.

The larger problem that both religious and *adat* revivalism poses is whether a particular understanding and interpretation of religion or of *adat* should be adopted without debate by the people who will be affected by it, including women. The regulations on dress codes for women officials and students, for example, were introduced without any open discussion with those who would have to comply with them. Initiatives by local government to test public opinion through open debate before making a decision are almost non-existent. This brings us back once again to the crucial issue of participatory policy-making, or the lack thereof, at the local level.

In the face of such obstacles to the advancement of the status of women, one might ask whether there is any increased space or role for women as a result of the dramatic changes taking place at the lower levels of Indonesian political life. Do women have the potential to play a greater role in the decentralisation process, as well as in governance more broadly? Are there some encouraging stories to share? The remainder of this chapter will describe some of the positive developments that have taken place as a result of decentralisation. It will examine whether these can be seen as potentially replicable events, how they may serve as examples of good practice and what lessons can be learned from them.

## NEW OPPORTUNITIES FOR WOMEN

### Local Government Initiatives that Serve Women's Interests

Some local governments have at last started to view women as important stakeholders. They have been active in creating or maintaining programs to promote women's rights; providing access to information on public services; and offering opportunities for women to become involved in the policy-making process.

One important step taken by many local governments has been to acknowledge the need for gender mainstreaming in the area of governance. The purpose of a gender-mainstreaming policy is to ensure that the implications for each gender of any planned action, including legislation, policies and programs, in all areas and at all levels, are assessed so that women and men benefit equally. In this respect, local governments are following the lead of the central government, which has promoted the idea of gender mainstreaming for several years.[5] Local governments in many parts of Indonesia have joined with NGOs and universities in providing gender-mainstreaming training to government officials and DPRD members, especially with regard to policy formulation and the monitoring and evaluation of development projects that will directly affect the well-being of women at the local level. District governments in South Sumatra, for example, have started to compile demographic and socioeconomic profiles of the women living in their areas. The sex-disaggregated data they collect will contribute to the development of a South Sumatra women's development index, which in turn will allow the local government to identify women's needs more accurately, and plan development programs that respond to those needs.

Under Law No. 22/1999, districts have become responsible for a wide range of policy areas: public works, health, education and culture, agriculture, transportation, trade and industry, investment, environment, land, cooperatives and labour. The devolved responsibilities not only involve asset management and revenue generation, but also the provision of public services – a function that was previously performed by central government offices. In theory, under decentralisation local governments are able to provide public services that better reflect local needs and contexts. As a result, also in theory, the delivery of public services by local governments should especially benefit women and children, who represent the majority of the local clientele.

In some areas, local governments have made attempts to improve public services for women. Despite the small number of women in local bureaucracies and parliaments, some administrations have instituted a gender-mainstreaming policy. The case of the district of Sidoarjo in East Java is illustrative. Only 24 women hold posts at the level of unit head or higher in the district, compared with 119 men. Nevertheless, the local government has frequently sought the

assistance of local NGOs and universities in drafting strategies for women's empowerment. The concerted efforts of the district government in this area led to the formation of a Team for the Protection of Women and Children, enacted under Bupati Decree No. 264/2002. The team designed and initiated the establishment of a women's crisis centre, which was funded by the local government – the first time a local government had provided such a service.

The Gianyar district government in Bali has for the past two years been providing a free ambulance service as part of its Matra Health Program. The ambulance is equipped with medical and emergency equipment to treat patients on the way to hospital – a fairly rare occurrence in Indonesia. In 2002, with the support of international donors, the Matra Health Program was expanded to include an outreach reproductive health program for women, including the provision of a mobile pap smear testing unit.

Some local governments have begun to recognise the importance of the media in promoting women's interests. One initiative taken in Banjarmasin by the provincial government of South Kalimantan was to launch a radio program for women in cooperation with Radio Swara Buana, a commercial station. Established and funded by the provincial government's Women's Empowerment Bureau, it focuses on issues of particular interest to women and provides a gender perspective on topics of current interest. Other local governments have also been able to use established commercial radio stations to disseminate their messages, as regional stations generally now welcome such information. Most stations – such as Maragita (Mara) and Ganesha in Bandung (Sjaifudian 2002) – produce programs focusing on matters of local interest, including women's issues.

As in many other countries, decentralisation has involved the devolution of the budgeting process to local government institutions. While this may make it more complicated to monitor the budget nationally, it also opens up opportunities for greater involvement by local legislators and citizens (including women) in how the budget is allocated. In addition to the formal opportunities for involvement, decentralisation has given NGOs and universities the chance to contribute informally to the budgetary process, for example by providing training and analysis to the institutions responsible for the budgetary process (Krafchik 2001). Parliament Watch Yogyakarta (PARWI Yogya), for instance, has provided training for members of the provincial and district DPRDs in Yogyakarta on how to draft a budget with a gender perspective.[6] A number of international institutions have also developed programs to enable local government officials to produce more responsive and performance-oriented budgets.[7]

**Securing Women's Representation**

Despite the revival in some regions of conservative traditions that seek to cir-

cumscribe the role of women, opportunities have also arisen to use local culture to promote women's representation in formal public institutions.

One example of such a development is found in West Sumatra, the same province where the unsuccessful attempt was made to introduce a curfew for women. Some argue that the traditionally matriarchal structure of society in West Sumatra does not necessarily benefit women (Noerdin 2002: 182), but the reintroduction in 2000 of the traditional Minangkabau village system of *nagari* seems to have improved their prospects for representation in governance.[8]

According to Minangkabau *adat*, the *bundo kanduang* (a senior, respected woman in the family) occupies a central place in the social structure. Traditionally, there was one *bundo kanduang* in each Minangkabau house or clan. She was the administrator of the extended family and played an important role in mediating conflict resolution in the community. The role of the *bundo kanduang* was greatly reduced under the New Order government, with its ideology of *ibu*ism (the woman as mother). In the post-decentralisation era, the local people and authorities of West Sumatra have attempted to revive, even formalise, the role of the *bundo kanduang*. District regulations provide, in particular, that *bundo kanduang* should be appointed to the newly constituted *nagari* legislative bodies at the village level.[9] Women's groups in West Sumatra, especially those concerned with governance issues, are working to empower women who are already members of *nagari* legislative bodies, as well as forming links with other *bundo kanduang* who are not members but who are determined to promote women's rights.[10]

In Papua, too, women have the prospect of securing a formal role in governance, under Law No. 21/2001 on the status of Papua as a special autonomy region. The law provides for a Papuan People's Assembly (MRP) comprised of indigenous Papuans, one-third of whom are to be *adat* leaders, one-third religious representatives and one-third women (see McGibbon, Chapter 13, this volume). The role of the MRP is, among other things, to

> aggregate and articulate aspirations and complaints from the *adat* community, religious community, women and society in general on the rights of indigenous Papuans and to facilitate their follow-up and solution (article 19, Law No. 21/2001).

Government regulations are now being drafted on the procedure for establishing the MRP.

## Women's Participation in Governance

One of the most positive trends brought about by decentralisation has been a heightened awareness by people that they can and should participate in governance (Asia Foundation 2002a). Although there are still problems in the overall

structure and institutions of decentralised government that make it difficult for citizens to participate fully – Law No. 22/1999 has no specific provision on people's participation in governance – in many areas civil society groups have taken the initiative in drawing up local development and strategic plans, drafting alternative versions of local regulations, and collecting data for use in local budgetary processes (*Jakarta Post*, 31 December 2001). Many women are participating in governance-related matters in this way.

It is also important to note that the level of participation in public matters by women is highest at the lowest level of governance. A survey carried out by the Asia Foundation in 15 districts across Indonesia in 2002 found that both women and men felt that they had a better chance of influencing policy-making at the lowest levels of governance (Asia Foundation 2002b). According to the survey, 53 per cent of women believed that they could be most influential at the village level, compared with only 16 per cent who thought they could be more effective at the national level. The quotation at the beginning of this chapter illustrates the new mood.

Since 1999, hundreds of citizens' forums (*forum warga*) have been established across Indonesia (see Antlöv, Chapter 5, this volume), representing a significant marker of the expansion of popular participation in governance. While most focus on the gamut of governance issues, some have been created for specific purposes, such as to lobby for improved public consultation on local development issues, clean water management, housing development and access to information (Sjaifudian 2002: 25). Large numbers of women are involved in these forums. In Pontianak, West Kalimantan, for instance, women entrepreneurs of small and medium-sized enterprises have joined the Pontianak City Forum. Citizens' forums are an attractive form of participation for women because they allow them to participate directly in decision-making on the issues that are of most relevance to them, such as access to clean water and education. In many cases, the forums provide an avenue for tackling old problems that have remained unsolved for years.

Decentralisation has given women's NGOs the opportunity to participate actively in local decision-making. For many women's groups, this has involved a shift from being mainly a service provider (providing education, women's crisis centres, training in economic skills and so on) to assuming a policy advocacy role. Rifka Annisa in Yogyakarta is a good example. It established Indonesia's first women's crisis centre in 1992. It provides counselling and shelters for women victims of violence and has conducted advocacy on issues related to women's rights and violence against women. Over the past two years, Rifka Annisa has been working with local legislators, bureaucrats, police and the local hospital to create a one-stop crisis centre that can provide integrated services to women victims of violence – not just counselling and medical treatment, but also the formal recording of interviews so that legal action can be

taken against the perpetrators.[11] It is also engaged in dialogue with other civil society organisations and local government institutions on the local budget and local regulations, in an effort to ensure that public policies are made more gender-sensitive and responsive.

Another example of effective policy-making at the local level by women's groups is found in the involvement in local budgetary processes of the regional branches of the national network of women's NGOs, the Indonesian Women's Coalition (KPI). In Yogyakarta, the local KPI branch was asked to assist in the formulation of a gender-responsive budget for the district of Cilacap. In Jakarta, the local KPI branch and the Planning Bureau of the capital city of Jakarta (DKI Jakarta) formed a joint forum for consultation and the sharing of information on budgetary matters, especially during discussion of the draft budget for the city. The West Sumatra branch of the KPI established a budget study group comprising members of women's groups and of *nagari* representative councils. Their consultations with the Solok DPRD and Solok local government officials led to a two-thirds reduction in the budget for the *bupati*'s personal expenses, from Rp 15 million to Rp 5 million, and the initiation of joint research with the Solok Planning Bureau on gender and the budget.[12]

It is important to note, especially in light of the rise of conservative religious interpretations of the role of women, that in many places women's groups have been active in initiating gender-sensitive interpretations of Islamic teachings. Among those involved in such activities are the mass-based women's organisations Fatayat and Muslimat (affiliated to the NU) and Aisyiyah and Nasyiatul Aisyiyah (affiliated to Muhammadiyah), as well as independent NGOs such as Rahima and Puan Amal Hayati. Progressive groups like Rahima have been developing gender-sensitive interpretations of Islamic teaching for a number of years, while also acting as advocates for women's rights.

The progressive reinterpretations of Islamic law have attracted support at both the national and the local level. Mainstream Muslim organisations such as Muhammadiyah and the NU have rejected the proposals to implement *syariah* in Indonesia along with the notion of an Islamic state. Even though their stance is not specifically in response to women's concerns, it does provide leverage and legitimacy for women's groups opposing the implementation of *syariah* and arguing against conservative interpretations of the role and functions of women in society.

## CONCLUSION

The preceding analysis suggests that the effects of decentralisation on women have been mixed. New challenges and obstacles have certainly arisen as a result of decentralisation. But developments on the ground show that women have

also been able to take advantage of the new decentralised political framework to advance their interests.

The ongoing debate about the advantages and disadvantages of decentralisation rarely takes into account the impact of regional autonomy on women. The legacy of the New Order period, when the state promoted an image of women focused primarily on their role as mothers and wives in the private sphere, continues to resound strongly in public thinking. Despite the new opportunities brought about by democratisation and decentralisation, Indonesian women still face considerable obstacles in attaining a role equal to that of men in state institutions and decision-making processes, as evidenced by their very low levels of representation in legislative bodies. Few local government agencies are equipped with gender-sensitivity and gender-analysis skills.

Nevertheless, there have been an increasing number of initiatives at the local level, both by governments and by civil society organisations, to use decentralisation as an opportunity for the advancement of women's status. Some local governments have demonstrated the political will to adopt participatory policy-making processes, gender mainstreaming in public policy-making, and capacity building through training for officials on gender issues. Civil society organisations have continued their efforts to broaden public perceptions about the diverse roles of women, not just as members of society but as intellectuals, as stakeholders in political, economic and social development, and as decision-makers and holders of political power. They have also taken steps to engage in new areas of governance not previously accessible to them, such as working to make budgetary processes more gender-responsive.

Even though the initial problems and obstacles are significant, the decentralisation process does have the potential in the long term to promote women's participation in national, regional and local life. While the initial problems may discourage some from giving the decentralisation process the benefit of the doubt, the long-term positive effects should not be discounted. In some areas – such as in levels of representation in legislatures – women appear to have taken a step backwards under decentralisation. Nevertheless, if sufficient care is taken, the new framework that has been set in place has the potential to allow Indonesian women to take many steps forward in the future.

## NOTES

1 Decentralisation objectives are discussed in a large number of books and articles, including Parera and Koekerits (1999).

2 Two examples of such regulations are Bupati Cianjur Circular No. 45/2717/ASSDA.I dated 2 September 2001, and Bupati Tasikmalaya Circular No. 451/SE/04/sos/2001 dated 28 May 2001.

3 See the discussion on this subject in 'The Case for Islamic Law', *Far Eastern Economic Review*, 22 August 2002: 12–15.
4 For a discussion of customary laws and their impact on women, see Noerdin (2002).
5 See Presidential Instruction No. 20/1999 on Gender Mainstreaming, which was formulated in close consultation with women's groups working together with the Office of the State Minister for Women's Empowerment.
6 PARWI Yogya is supported by the Asia Foundation.
7 For example, the United States Agency for International Development (USAID), through its PERFORM and BIGG programs, the United Nations Development Program (UNDP), through its BUILD program, and the German Agency for Technical Cooperation (GTZ) have provided technical assistance to local governments on budgetary matters.
8 *Nagari* is the traditional form of Minangkabau village government. It was dissolved by the New Order government in 1975 under Law No. 5/1975 on Village Government. With some consolidation of the units of *nagari* governance having taken place since decentralisation, each *nagari* government is now responsible for several villages.
9 The West Sumatran *nagari* legislative councils typically consist of *ninik mamak* (male family elders), *alim ulama* (religious leaders), *candiak pandai* (intellectuals), *bundo kanduang* and representatives of families and youth groups. Regulations on *nagari* governance have been enacted in districts across West Sumatra, based on West Sumatra Provincial Regulation No. 9/2000 on Nagari Governance. See, for example, articles 76–94 of Solok District Regulation No. 4/2001 on Nagari Governance, which defines the membership, responsibilities and areas of authority of Solok's *nagari* legislative council. Its responsibilities include formulating the district budget and drafting regulations.
10 Interviews with women's groups in Padang and Solok, West Sumatra, 30 July 2002. The Institute for Development of a Participatory Approach (LP3), for instance, is currently working on initiatives to reform village governance in a number of *nagari* in three districts in West Sumatra. It has also targeted *bundo kanduang*, other local women leaders and female citizens in programs to persuade women to become actively involved in budget discussions and the drafting of village regulations.
11 Interview with Elly Nurhayati, director of Rifka Annisa Crisis Centre, 30 April 2002. Elly Nurhayati says that Rifka Annisa is working to expand its knowledge and range of strategies so as to become more effective in engaging the local government on gender issues. She and her colleagues are already consulted regularly by local government officials responsible for the Women's Empowerment Program, particularly those from the Office of Vice-Governor.
12 Report from the KPI's Gender Budget Advocacy program; discussions with Fitriyani of LP3 and the local coordinator of the West Sumatra branch of the KPI in July 2002.

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# 15 SHIFTING POWER TO THE PERIPHERY: THE IMPACT OF DECENTRALISATION ON FORESTS AND FOREST PEOPLE

*Ida Aju Pradnja Resosudarmo*

Decentralisation has involved a massive reform of Indonesian government that has profoundly affected every area of political, social, economic and even environmental life. As many of the chapters in this book illustrate, the process of decentralisation has been both wrenching and complex. The transfer of political and financial authority to regional governments has occurred very rapidly. Many of the changes in governance have been driven by ad hoc decisions made at the local level rather than by carefully considered central government policies. The process has been marked by contentious decisions and by conflict between all levels of government, with each defending its own political and economic interests. Nowhere has the disorderly and sudden nature of the changes brought about by decentralisation been more apparent than in the management of Indonesia's forestry resources.

This chapter attempts to present a preliminary analysis of the impact of decentralisation on the forestry sector.[1] It highlights some of the important trends in forestry activities at the local level since the inception of the decentralisation laws and provides some illustrations of how the transfer of forestry authority is being played out between the national government and, in particular, the districts.

The analysis suggests that decentralisation has profoundly affected the course of forest management. Almost everywhere the picture is the same: of local governments, motivated by necessity and opportunity, attempting to generate revenue from forest resources without adequately considering the social and environmental consequences. As a result, the impact of decentralisation on the environment has been negative, at least so far. In addition, it appears that local people may gain only limited short-term benefits from timber production. It should be noted at the outset, however, that because the forestry sector in Indonesia is so complex, with many trends and changes being unique to partic-

ular localities, the account in the following pages captures only some of the important new trends and issues, and cannot be considered to be a complete account of forestry under decentralisation.[2]

## THE SIGNIFICANCE AND STATE OF INDONESIA'S FORESTS

Indonesia has the third largest forest area in the world after Brazil and Zaire. The wealth of Indonesia's forests and their importance in providing economic, social and ecological benefits have been well documented. They are home to 10 per cent of the world's known plant species, 12 per cent of the mammals, 16 per cent of the reptiles and amphibians, and 17 per cent of the birds. Half of the known species of commercially important Dipterocarp trees are found in Indonesia, 155 of them in Kalimantan alone.

For many years these forests have served as an engine of national economic growth, as well as supporting local economies and providing an important source of livelihood for forest communities. In 1999, the export value of forestry products was US$6 billion, or about 16 per cent of the value of total non-oil and gas exports (Resosudarmo 2002). The industry is estimated to provide direct employment for 2.5 million workers and indirect employment for 1.5 million (Sarjono 2002). At least 20 million people live in forest zones (Sunderlin et al. 2000). Over 6,000 plant and animal species are used by Indonesian communities in everyday life (Down to Earth 2002).

Approximately 140 million hectares – 70 per cent of Indonesia's landmass – is officially classified as forest estate, all of it legally under the control of the Ministry of Forestry. The forest estate consists of three major categories of forests: production forests, designated for timber production (62 million hectares); conservation and protection forests (47 million hectares); and conversion forests, designated for conversion to non-forestry uses such as plantations and agriculture (35 million hectares) (GOI/FAO 1996). Three decades of onslaught on the forest estate has left only a fraction of it actually forested: in 1999 the total was estimated to be about 90 million hectares (World Bank 2001). Between 1985 and 1997 the annual deforestation rate was estimated to be 1.7 million hectares, but it may have increased since *reformasi* in 1998 (Holmes 2002).

For the past three decades the forestry sector has been heavily centralised and oriented towards large-scale commercial development.[3] In the early 1970s, in accordance with the 1967 Basic Forestry Law, the New Order government began to grant large-scale Timber Concession Rights (HPH) involving millions of hectares of Outer Island forests to private and state-owned timber companies. This marked the beginning of the large-scale commercialisation of Indonesia's forests, which made the country the world's leading exporter of tropical logs. In

the mid-1980s, the government imposed a national ban on log exports to promote the growth of a domestic plywood industry. This was followed in the 1990s by support for timber plantations to promote the expansion of a pulp and paper industry. In each of these phases, the government adopted policies that concentrated forest resources in the hands of a few conglomerates owned by crony capitalists associated with government elites (Barr 1999). The result was systematic marginalisation of the forest communities that had lived in and depended on these forests for centuries (Fay and Sirait 2002).

## DECENTRALISATION, THE NEW TIMBER REGIME AND THE SCRAMBLE FOR REVENUE

The two decentralisation laws of 1999 – Law No. 22/1999 on regional government and Law No. 25/1999 on fiscal balancing – transferred authority for forest resources to regional governments and gave them an increased share of the revenue derived from forestry. The laws are not without their problems, however, as the apparent contradiction between articles 7 and 10 of Law No. 22/1999 indicates.

Article 7 of Law No. 22/1999 provides the legal basis for the transfer to the regions of authority over all sectors of governance except foreign affairs, the judiciary, defence and security, monetary and fiscal matters, religion and 'other' authorities. These other authorities include the 'utilisation of natural resources' and 'conservation'. Article 10 of the same law, however, stipulates that the regions have the authority to manage national resources within their jurisdictions and are responsible for maintaining the sustainability of the environment according to law. Particularly in the area of natural resources, these two articles can be interpreted as being contradictory and therefore ambiguous, as will be discussed later.

Law No. 25/1999 stipulates that 20 per cent of forestry revenue (excluding reforestation funds) is to be retained by the centre, with the remaining 80 per cent to be redistributed to the regions. The most important sources of forestry revenue are forest concession rights levies, royalties and reforestation funds (the latter being the payments made by forest concessionaires to support reforestation and forest rehabilitation). The formula for the redistribution of funds varies depending on the type of fee. For example, according to Law No. 25/1999 and its implementing regulations, 16 per cent of funds generated by concession rights levies is to be distributed to provincial governments and 64 per cent to the producing district or town. (The previous arrangement was for 30 per cent of such revenue to be retained by the central government, with the remainder being distributed to the provinces.) The new arrangement for refor-

estation funds, the most lucrative of the fees, is for 40 per cent to go to producing regions and 60 per cent to be retained by the central government.[4]

Since the decentralisation laws came into being, forest management at the local level has undergone rapid and profound change, setting it on a radically different course to that pursued under the New Order. Changes have been particularly great in the way that permits are granted and in how logging activities are carried out. It should be noted, however, that some of these changes pre-date the decentralisation legislation and are in fact associated with the broader atmosphere of *reformasi* in Indonesia since 1998.

A striking characteristic of the general tone of forest resource management under decentralisation has been an overwhelming emphasis on economic considerations. Since the decentralisation package took shape in 1999, local governments have tended to believe – with some justification – that they would only be able to finance their administrative and development priorities and maintain their independence if they could generate substantial local revenue (Saad 2001). From the moment the two decentralisation laws were passed – and therefore often before they had legally come into effect – many districts passed regulations aimed at increasing local revenue. This trend has been particularly marked in forest-rich regions, where the dominant pattern has been for district governments to seek to accumulate revenue from forestry activities as rapidly as possible.

Dissatisfied with the new formulae for the distribution of timber revenue, several of the forest-rich provinces and districts have tried to extract a higher share of the fees and royalties paid by existing holders of timber concession rights (Alqadrie et al. 2002; Casson 2001a; Barr et al. 2001). Four districts and one municipality in East Kalimantan reportedly threatened to break away from the province if they were not guaranteed fiscal allocations commensurate with the revenue generated in their territories (Barr et al. 2001). Their district heads (*bupati*) demanded that reforestation funds be retained by producing districts, claiming that it was unfair to use them to subsidise non-producing districts in the (same) province.

As well as attempting to wring more money out of existing concession holders, regional governments have sought to generate revenue by imposing entirely new fees. In particular, many districts have issued regulations giving themselves the power to grant small-scale concession licences, and to place new taxes and levies on the timber and other forest products transported through their jurisdictions.

The small-scale logging licences issued by districts are known as Forest Product Harvesting Rights (HPHH) or Timber Extraction and Utilisation Rights (IPPK). A government regulation issued in January 1999 – that is, a few months before the passage of the decentralisation laws – gave districts the legal right to

issue such licences (or at least HPHHs) to cooperatives, individuals and corporations owned by Indonesian citizens, in areas classified as being part of the forest estate.[5] This regulation, PP No. 6/1999, replaced the previous 1970 regulation on forest exploitation and was part of the government's effort to show it was addressing demands for a more just and equitable distribution of forest benefits. On 7 May 1999 – namely three days after Law No. 22/1999 was passed – the Ministry of Forestry produced implementing decrees for PP No. 6/1999.[6] One of these, SK No. 310/Kpts-II/1999, gave district governments the power to issue HPHHs for areas of up to 100 hectares within conversion forests and production forests slated for reclassification to other uses. It prohibited their issuance in areas where large-scale HPHs or wood utilisation permits had already been granted.

District leaders immediately seized on the opportunity presented by the new regulations to issue large numbers of small-scale logging licences. Typically these were granted to local individuals, community groups and village cooperatives, who then collaborated with investors who could provide the capital and technical expertise they themselves were lacking. These partners (*cukong*) could be local, domestic or even foreign – usually Malaysian – firms or entrepreneurs (Alqadrie et al. 2002; Barr et al. 2001). McCarthy (2001b) reports that in most cases they were already holders of large-scale HPHs. In the case of IPPKs in Malinau district in East Kalimantan, large companies will typically negotiate a timber-harvesting agreement with the community or village that has a recognised claim over the forest area in question. In exchange for the right to harvest a forest, the companies agree to provide community members with a set fee for each cubic metre of wood harvested. They also agree to hire local people to do the felling; promise donations of material goods such as roofing materials or rice mills; and offer to assist the communities in developing cash crop plantations once the forests have been cleared (Barr et al. 2001).

In practice many of the areas covered by small-scale licences, both HPHHs and IPPKs, have fallen within the boundaries of areas already subject to active large-scale HPHs, thereby posing a threat to the operations of large logging enterprises (Universitas Cenderawasih 2002; Barr et al. 2001; KK-PKD Kutai Barat 2001; Suparna 2001). The body representing these companies, the Indonesian Forest Concessionaires Association (APHI), has responded by lobbying the national and provincial governments to halt the widespread allocation of HPHH and IPPK permits (Barr et al. 2001).

Although the APHI still has clout in the post-New Order era, it has had only limited success. For example, with small-scale concession permits mushrooming in East Kalimantan, towards the end of 1999 the Director-General of Production Forest Utilisation asked the provincial governor to take action to prevent district governments from issuing any further small-scale timber extraction permits. Although the governor issued a letter in compliance with

this request, most *bupati* continued to allocate permits. Despite the decentralisation laws not being in force at the time, the *bupati* argued that the provisions of Law No. 22/1999 had fundamentally changed their position vis-à-vis that of the provincial governors – that they were no longer subordinate to governors and were therefore not obliged to comply with their directions (Barr, Resosudarmo and McCarthy 2002).

In the face of these refusals to stop issuing HPHHs and IPPKs, in April 2000 the Ministry of Forestry issued a decree (SK No. 084/Kpts-II/2000) postponing its previous ministerial decision (SK No. 310/Kpts-II/1999). Despite losing the legal basis to allocate small-scale licences, several district governments continued to do so (Casson 2001b; McCarthy 2001b). Some, such as the district of Kapuas in Central Kalimantan, argued that they retained the legal right to issue licences because PP No. 6/1999 – as distinct from its implementing regulations, which had been repealed – had not been cancelled and therefore remained in force (McCarthy 2001b).

By July 2000 Kapuas had granted 60 small-scale logging permits (McCarthy 2001b). West Kutai in Eastern Kalimantan had issued 223 HPHH permits by August 2000, generating more than US$30,000 in income for the district (Casson 2001a). By the end of December the number had almost tripled to 622 (KK-PKD Kutai Barat 2001). In the district of Malinau in East Kalimantan, 39 IPPKs projected to be worth over Rp 50 billion (about US$5.3 million) had been issued by February 2001 (Barr et al. 2001). The *bupati* issuing such permits typically had the full support of their local district legislative assemblies.[7]

While the types of fees and royalties imposed on small-scale logging activities vary, district governments always retain a substantial amount of the sums generated. HPHH permit holders in West Kutai and Kapuas are required to pay the standard royalties and reforestation fees to the central government, with a large portion eventually being transferred back to the districts in accordance with the formulae worked out at the national level. IPPK holders in Malinau, in contrast, are not required to pay these national fees. Many district governments have introduced new fees on small-scale licences, such as third party donations (*sumbangan pihak ketiga*) and user charges (*retribusi*). The former is a one-off fee, usually based on the size of the concession; the latter is based on the volume of logs harvested. Not only do these local charges generate substantial formal revenues for district governments, they do so in a way that avoids the delays and transparency requirements associated with the redistribution of central government royalties and reforestation fees (McCarthy 2001b).

Decentralisation in the forestry sector has involved a breakdown of national legal authority and a sharp contest for authority between the centre and the regions. Districts are persisting in issuing small-scale logging licences despite the Ministry of Forestry's efforts to prevent them from doing so; district leaders

are implementing policies that conflict with or ignore central government regulations. In effect they are challenging the national government's ability to control timber exploitation. Some writers have suggested that by issuing small-scale permits that overlap with active large-scale HPHs, *bupati* intend to show that they are the ones actually in control of the forests (Barr et al. 2001). As well as sending a message to the central government and local populations, this is a way to let the large and wealthy companies holding HPHs know that their access to timber profits is now dependent on support from local governments.

## IMPLICATIONS OF THE NEW REGIME FOR FORESTS AND FOREST COMMUNITIES

Unfortunately, it appears that the enthusiasm of regional governments for gaining as much revenue as possible from forest resources has not been accompanied by a comparable level of eagerness to return a share of the benefits to the forests and to the communities who depend on them. Overall, the pattern is one of district governments scrambling to secure economic gains from the forests without adequately considering the environmental, social and long-term economic repercussions. Although the allocation of small-scale concession licences is putting pressure on the districts' forest resources, district governments are paying little attention to forest rehabilitation or reforestation (Casson 2001a). Negligible amounts are secured for forestry development in district budgets (Soetarto, Sitorus and Napiri 2001). This new timber regime has several potentially negative consequences for forests and forest communities.

Although forest permits are supposedly 'small-scale', when a large number are issued they can cover large areas. In the case of West Kutai, for instance, if the average size of one HPHH area is assumed to be 100 hectares, its December 2000 total of 622 permits would translate to 62,200 hectares. In practice, as the experience of Malinau suggests, 'small-scale' IPPK permits frequently cover up to 5,000 hectares, despite the upper limit of 100 hectares set by ministerial decree (Barr et al. 2001). Moreover, the short duration of these permits (they are typically limited to one year) implies a very rapid rate of timber extraction or forest conversion: 62,200 hectares of timber extracted in one year in West Kutai, for example, and 56,000 hectares scheduled for conversion by early 2002 in Malinau (Barr et al. 2001).

With the explosion of HPHH and IPPK permits, in many districts formal timber extraction increasingly involves forest conversion – that is, clear cutting. The result, inevitably, is a loss of environmental and livelihood amenities (Barr et al. 2001). In contrast, the large companies holding HPHs that until recently formally carried out commercial timber extraction were required to use sus-

tainable logging practices such as selective felling, replanting and rotational harvesting. It is widely accepted that they often failed to do so, leaving many forests degraded (Resosudarmo 2002). Nevertheless, large areas of secondary forest were generally left standing (Barr et al. 2001). This is vital for sustaining the livelihoods of forest communities.

Many of the new small-scale permits were issued before a forestry regulatory agency was in place at the district level. Districts have also generally lacked the capacity to monitor the implementation of licences (Alqadrie et al. 2002; Barr et al. 2001; Casson 2001a; McCarthy 2001b). The result, frequently, has been the inappropriate assignment of permits. In the district of West Kutai, staff at the forestry office were so overwhelmed with HPHH applications that it would have been difficult for them to check applications thoroughly in the field before the *bupati* approved them (Casson 2001a). In Malinau, in contrast, IPPKs were granted without the necessary field surveys (Barr et al. 2001). Moreover, there are many indications that bribes and other informal incentives have played a role in the approval of permits.

A particularly problematic issue is the widespread incidence of illegal logging – a complex issue, and by no means a new phenomenon. Some Ministry of Forestry officials say that decentralisation has exacerbated illegal logging (personal communication with Ministry of Forestry officials). It does indeed appear to have increased in recent years, although not all of the increase can be attributed to decentralisation. With the onset of *reformasi,* the government's ability to enforce laws and regulations across Indonesia declined. The economic crisis also meant that many people had to find alternative sources of livelihood. Depreciation of the currency increased the price of timber in rupiah terms, making it an even more lucrative commodity. This combination of circumstances stimulated an upsurge of illegal logging in many areas, even before the decentralisation package was drafted.

Some aspects of the new district timber regime do, however, have the potential to encourage the proliferation of illegal logging. A notable example is the practice by districts of issuing regulations that validate timber harvested outside the formal forestry regime. Previously, the normal procedure was for illegally harvested timber to be confiscated and auctioned, with the proceeds going to the central government. Several districts in Kalimantan, including East Kotawaringin, South Barito and North Barito, have now issued regulations allowing illegal timber to be transported out of the area, provided that those involved pay the fees due to the central government as well as district charges (Casson 2001b; McCarthy 2001a). Once it has been provided with documentation, illegal timber can be transported and traded with a semblance of legality. The district of East Kotawaringin has generated a substantial amount of revenue from taxing illegal timber: Rp 24 billion in the months of April, May and June 2000 alone (Casson 2001b).

Another serious problem is that, given the generally poor monitoring capacity of district governments, timber extraction can 'overflow' into areas outside those delineated in the logging permits – another form of illegal logging. For example, Alqadrie et al. (2002) report that in Kapuas Hulu there is a tendency for HPHH holders to start out by logging areas outside the boundaries of their permits, with the deliberate intention of saving their designated areas 'for later'. In Malinau and Kapuas Hulu, both bordering Malaysia, IPPK and HPHH permit holders have transported far more heavy equipment to the area than they could possibly need to log the areas allocated to them. This may indicate either that they expect to be granted much larger areas than those allocated thus far, or that they hope to gain informal access to areas outside those delineated in their permits (Barr et al. 2001). Another *modus operandi*, reportedly observed in Kapuas Hulu, is for HPHH licencees to claim that illegally cut logs originated in their own areas, and provide the necessary documentation for their transport and trade (Alqadrie et al. 2002).

One especially depressing development, apparent since the beginning of *reformasi*, is an increase in illegal logging in protected and conservation areas. The list of national parks so threatened seems endless. It includes Leuser in Aceh, Bukit Barisan in Lampung, Bukit Tiga Puluh in Riau, Gunung Palung and Betung Kerihun in West Kalimantan, Tanjung Puting in Central Kalimantan, Kutai in East Kalimantan and Lore Lindu in Central Sulawesi. The fate of smaller protected forests is generally even grimmer, because they tend to be scattered and more difficult to monitor, and attract less attention from NGOs (Potter and Badcock 2001).

A factor contributing to the increase in illegal logging in protected and conservation areas is the perception of nearby districts and communities that they gain little in the way of tangible benefits from them. Local governments typically perceive such areas as simply reducing their opportunities to collect local revenue (Wardojo 2001; Barr et al. 2001). The communities living in national parks or conservation areas also feel disadvantaged, because of the restrictions placed on their use of national park resources. Unlike communities with access to forests that have not been designated a conservation area, for example, they cannot extract or utilise the wood from their forests (Soehartono 2001; Soetarto, Sitorus and Napiri 2001).

With responsibility for the maintenance of conservation areas remaining with the national government under Law No. 22/1999, regional governments have little incentive to look after forests set aside for conservation purposes. The result is indifference on the part of regional governments towards the problems that areas with high conservation value face. Some districts have gone so far as to grant small-scale logging permits in protected areas (Barr et al. 2001), and many district-licensed logging operations have reportedly 'overflowed' into protected forests (Kompas Online 2002).

If the environment has tended to suffer under the new timber regime, what about local communities? One of the principal arguments made by district officials for the allocation of large numbers of small-scale logging permits is that it will involve local communities in the forestry sector in a meaningful way, and provide them with tangible benefits. They argue that whereas until recently local people could only stand by and watch their local forests being logged by large concessionaires, now they have the opportunity to become 'owners' of the process (McCarthy 2001b).

But so far, it appears that local communities have benefited little. While HPHHs and IPPKs are meant to be given to members of local communities, in practice the communities almost always enter some kind of partnership arrangement with a 'capital provider' – a foreign investor, a well-connected local entrepreneur or one of the large-scale timber companies that dominated the industry during the Soeharto years (Alqadrie et al. 2002; Barr et al. 2001; Casson 2001a; McCarthy 2001b). It is they that usually provide the finance, equipment and technical expertise needed to obtain permits and carry out the logging.

In many districts in Kalimantan, it has been noted that while the formal charge for obtaining a licence is relatively low, the informal costs (usually in the form of corrupt facilitation payments) are high, resulting in a total cost of Rp 20–50 million to obtain a permit (Alqadrie et al. 2002; McCarthy 2001b; Barr et al. 2001). McCarthy (2001b) estimates that the total cost of obtaining a permit and then logging a 100-hectare area of forest runs to at least Rp 100 million (US$10,000). Such figures are virtually unthinkable for most local people. Due to this structural barrier to their involvement, and despite the stated purpose of the new small-scale licensing regime, the actual involvement of local people in logging operations remains minimal. Typically, they become involved only on the request of a capital provider and are there simply to provide legal cover for the operator. They may be paid for their cooperation, but most of the profits will accrue to the capital provider and other actors (McCarthy 2001b). In Malinau, there are ample examples to demonstrate the vulnerability of communities to companies' abuse of their contractual agreements with regard to small-scale licences. Common breaches include failing to employ locals in logging operations as promised, or to replant cleared land with cash crops (Barr et al. 2001).

The prospect of economic gains from small-scale logging, and of access to compensation payments, has exacerbated conflicts among local individuals and communities, particularly over disputed territory (Universitas Cenderawasih 2002; Barr et al. 2001; Casson 2001b; McCarthy 2001b; KK-PKD Kutai Barat 2001; Rhee 2000). In addition, a gap has emerged between those who can and cannot take advantage of the opportunities offered by decentralisation and the new small-scale licensing regime. These have been captured primarily by local

elites with strong political or financial connections (Barr et al. 2001; McCarthy 2001a, 2001b). At the village level, negotiations with timber companies and government officials have often involved only village or *adat* (traditional) leaders, who then may request a disproportionate share of the benefits for themselves and their families (Barr et al. 2001).

The consequences of the decentralisation process in the forest sector have not been entirely negative for local people, however. Whatever the problems, they are now assured of greater access to forest resources than was the case in the New Order period. Not only is there increased formal recognition of the presence of communities (Rhee 2000) but – at least in the short term – communities can expect to gain some direct income from logging activities in local forests.[8]

## POWER STRUGGLES BETWEEN THE CENTRE AND THE REGIONS

As illustrated by the controversies surrounding the new small-scale timber licences, the decentralisation process on the ground has not been dictated fully by central government policies. The success of the implementation of decentralisation is highly dependent on the relationship between the central government and regional institutions. This relationship has been changed in a legal sense by the decentralisation laws; perhaps equally importantly, it has also been marked by a strong lingering distrust of the centre on the part of the regions (Potter and Badcock 2001). From very early on in the decentralisation process, district leaders expressed their doubts about the central government's willingness to devolve significant powers to the regions, referring to the process as 'half-hearted autonomy' (Potter and Badcock 2001; Soetarto, Sitorus and Napiri 2001).

The long history of central control over lucrative resources, combined with the regions' sudden attainment of new powers and their suspicion of the centre, has set the scene for a highly contentious pattern of centre–region relations in the decentralisation process. The forestry sector has been a notable example, with a virtually continuous tug-of-war taking place between the national and regional governments, marked by constant negotiations over the precise delineation of powers.

Negotiations and clarifications have been made necessary by the inconsistencies and even contradictory clauses in the relevant laws. In forestry, much of the power struggle between the Ministry of Forestry and the regions (particularly the districts) has taken shape around apparent contradictions between the provisions of Law No. 22/1999 on regional government and those of the new forestry law passed in September 1999, Law No. 41. While Law No. 22/1999

devolved authority for forests to the regions, the new forestry law does not mention this. As a result, local officials have tended to refer to Law No. 22/1999, while central government bureaucrats, especially in the Ministry of Forestry, have responded by falling back on Law No. 41/1999. And, as pointed out earlier, Law No. 22/1999 itself contains conflicting and ambiguous sections.

In theory such ambiguities can be resolved by implementing regulations. But during the negotiation process preceding the preparation of implementing regulations, the Ministry of Forestry displayed strong resistance to the idea of surrendering its powers to the districts, arguing that they simply lacked the capacity to manage Indonesia's forests (Van Zorge Report 2000; personal communication with officials in the Ministry of Forestry and other ministries). When it was finally issued in May 2000, the much awaited implementing regulation for Law No. 22/1999, PP No. 25/2000, failed to explicitly clarify district responsibilities. Instead, it set out the responsibilities of the central and provincial governments, thereby implying that all remaining authorities would go to the district governments.[9] The regulation appeared to contain stipulations reaffirming the national government's policy-making role in forest management. It gave the central government a number of important powers: to define forest boundaries and change the classification of forests, to set criteria and standards for the licensing of forest utilisation, and to set the criteria and standards for forest utilisation licence fees, royalties and reforestation tariffs.

The ministry's efforts to retain its powers are perhaps best illustrated by its (failed) attempt to introduce the concept of *perumisasi* in 2000. Under *perumisasi*, all production forests not subject to a valid permit or active concession would be managed by state-owned companies. Regions were to enjoy 70 per cent of the profits, not the 80 per cent provided by the decentralisation laws (Resosudarmo and Dermawan 2002). Both the regions and HPH holders fiercely rejected this proposal, arguing that it would effectively return power to the central government. Concession holders maintained that it violated the spirit of Law No. 41/1999, whereby production forests could be managed by state and privately owned companies, as well as by cooperatives and individuals.

In contrast, a sign that the ministry was moving towards relinquishing power to the regions came in November 2000 – namely a month before decentralisation came into effect – with Ministry of Forestry Decree No. SK 05.1/Kpts-II/2000. It authorised district governments – or provincial governments where forests crossed district boundaries – to grant large-scale forest utilisation licences over areas within their jurisdictions of up to 50,000 hectares. Apparently this decree went further than key Ministry of Forestry officials believed was appropriate, and in February 2002 the ministry issued another decree revoking SK 05.1.

As with the disputes over small-scale logging licences, it appears that the regions responded simply by ignoring the new decree and continuing to issue

licences. On 3 October 2002, the Ministry of Forestry issued a circular to governors, *bupati* and heads of municipalities requesting that they stop issuing such licences and report all those already issued to the central government. Once again it appears that the regions were basing their actions on their own interpretation of Law No. 22/1999 on regional government, while the Ministry of Forestry was struggling to retain its authority by referring to Law No. 41 on forestry. But in a new twist, some district leaders also argued that they did not have to obey the ministerial decree because a decree issued by the People's Consultative Assembly (MPR) in 2000 explaining the hierarchy of Indonesian laws and regulations had made no mention of ministerial decrees.[10] In an attempt to clarify the situation, central government officials requested clarification from the Minister of Justice and Human Rights. In February 2001, the minister responded by circulating a letter to department heads stating that ministerial decisions were higher in status than regional regulations. In strictly legal terms, if this interpretation were to be accepted, all the licences issued by districts following the revocation of SK 05.1 in February 2002 and the postponement of SK No. 310/Kpts-II/1999 in April 2000 would be illegal.

On 8 June 2002, three years after the passage of the new forestry law, the government finally produced its implementing regulation, PP No. 34/2002. It regulates the organisation of forest management in Indonesia and sets out the authority of the minister, governors and district heads in relation to decision-making for forests. The implementing regulation appears to pull authority for forests back to the centre. Article 42, for example, states that the Minister of Forestry has sole authority to issue large-scale HPHs, on the recommendation of the lower levels of government.[11] The response of the head of the association of district governments (Apkasi), Syaukani, was to assert that the regions are firmly opposed to the regulation (APHI 2002; Syaukani 2002).

Clearly there is much potential for continued conflict between the central and district governments over forest policy. Consequently, we can expect more policy incoherence, confused implementation and legal uncertainty in the forestry sector, with all the negative consequences for appropriate and environmentally sound forest management that this entails.

## CONCLUSION

At the time of writing, nearly four years after the decentralisation laws were enacted and two since they began to be implemented, four main trends are visible in the newly decentralised forestry sector.

First, the pace of change has been incredibly rapid, with *de facto* decentralisation occurring more quickly than *de jure* decentralisation. Spurred on by *reformasi,* the general breakdown of legal order and future promises of

autonomy, decentralisation on the ground started before the January 2001 date set for the implementation of the autonomy laws, and long before the necessary supporting regulations were in place. Overall, therefore, decentralisation has occurred in a disorderly and ad hoc manner, with little effective coordination among government agencies at the various levels.

Second, the various laws and regulations have often been ambiguous or contradictory, allowing for multiple interpretations. Delays in the promulgation of implementing regulations for the decentralisation laws created particular confusion and uncertainty, encouraging districts to issue regulations that went beyond the authority granted them by the national government. This is particularly the case in the forestry sector, where the different levels of government have been engaged in an open tug-of-war over the distribution of authority for forests – and hence access to the revenue from logging.

Third, the opportunities brought about by decentralisation, coupled with the pressure on districts to support themselves financially, have led to a situation where district governments are focusing almost exclusively on local revenue generation. Their policy-making pays little heed to the long-term social, environmental and economic consequences of their actions. District governments rarely consider reinvesting in forests or returning some of the economic gains earned from the forestry sector to forests.

Fourth, and most importantly, the new forestry regime, and the way that districts are taking advantage of it, has profound implications for forests and forest communities. The granting of numerous small-scale logging licences has placed new pressures on forests. Some district policies have directly or indirectly promoted extra-legal and uncontrollable logging activities. Although some local communities have enjoyed immediate financial benefits, there are serious questions regarding equal access to those benefits. Most importantly, such benefits will not be sustained if the new forestry regime continues to promote unsustainable logging.

## NOTES

1 The chapter is based largely on continuing research on decentralisation and forests carried out by the Center for International Forestry Research (CIFOR) and its partners. CIFOR conducted fieldwork in nine districts in four Indonesian provinces in 2000, and three more districts in 2001. More in-depth research on this topic will be carried out over the next few years. The opinions and interpretations expressed in this chapter are those of the author and do not necessarily represent the official policy or position of CIFOR.

2 For a more elaborate and complete account of the decentralisation process in the forestry sector, see Barr, Resosudarmo and McCarthy (2002) and the accompanying district and provincial case studies.

3 There was a short period during which provinces and districts were able to grant small-scale permits (Magenda 1991). In 1967, governors were given the power to grant timber concessions of up to 10,000 hectares in size, and *bupati* concessions of up to 5,000 hectares. As a result numerous concessions, some as small as 100 hectares, were given to small firms and families, and sometimes to political favourites. These small-scale logging operations were usually carried out manually, with the logs being transported by river during the monsoon season. Large companies could not compete with the smaller ventures because they offered better salaries, thus attracting labour, and could supply logs more cheaply. In 1970 the central government enacted a new regulation centralising the allocation of timber concessions. The minimum size for a timber concession became 50,000 hectares and governors and *bupati* were no longer allowed to grant concession permits.

4 In the case of royalties, the province will receive 16 per cent and the producing district or town 32 per cent; the remaining 32 per cent will be distributed equally among the other districts or towns within the province. Previously, royalty revenue was divided as follows: 30 per cent to the provincial government, 15 per cent to the district or town, 40 per cent to national forestry development and 15 per cent to regional forestry development (Presidential Decree 67/1998).

5 IPPKs are legally restricted to privately owned forests (*hutan milik*) and areas designated as community forests (*hutan rakyat*).

6 Indonesian laws are usually written such that their implementation depends on subsequent government regulations (*peraturan pemerintah*, or PP). These implementing regulations are further elaborated by ministerial decisions (*surat keputusan menteri*, or SK) to determine exactly how they are to be implemented.

7 Some districts did hold back from issuing regulations, however, for fear that their regulations would conflict with national legislation (Potter and Badcock 2001). The district of Ketapang in West Kalimantan, for example, had reportedly issued only one HPHH as of September 2001 (R. Juita, personal communication, 2001).

8 Indeed, many local communities that have acquired, for the first time, relatively substantial sums of money from compensation payments and small-scale logging permits are spending it on high-cost consumer goods rather than social infrastructure or productive activities (KK-PKD Kutai Barat; Universitas Cenderawasih 2002).

9 The provinces have also resisted aspects of the present form of regional autonomy, which, by handing power to the districts, has effectively bypassed them. Their resistance is not without reason: several districts and municipalities have ignored provincial instructions. For example, as early as 2000, *bupati* in Riau did not bother to attend a meeting to discuss forestry held in Pekanbaru, the provincial capital of Riau (Potter and Badcock 2001).

10 The MPR decree (TAP MPR No. III/2000) stated that MPR decrees (TAP MPR) stand immediately below the constitution in Indonesia's legal hierarchy, followed by laws (*undang-undang*), government regulations replacing laws (*peraturan pemerintah pengganti undang-undang*), government regulations (*peraturan pemerintah*), and regional regulations (*peraturan daerah*).

11 Many of the provisions of PP No. 34/2002 will be specified in ministerial decisions to be issued by the Minister of Forestry, suggesting further opportunities for the ministry to consolidate its interests.

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# 16 BUSINESS AS USUAL? THE INDONESIAN ARMED FORCES AND LOCAL POLITICS IN THE POST-SOEHARTO ERA

*Marcus Mietzner*

Since the downfall of Soeharto in May 1998, Indonesia's political system has experienced a significant shift of power from the once omnipotent centre to the regions. This phenomenon is not only related to the decentralisation program initiated by the Habibie government in 1999, it is also a result of the so far unsuccessful attempt to establish political parties as the main actors of institutional decision-making at the centre. With political leaders struggling to enforce party policies in regional branches, local politics has become the domain of bureaucratic and business-related power brokers. It has become the exception rather than the rule for party functionaries to gain the top positions in the provincial and *kabupaten* (district) governments. Instead, influential business people or bureaucrats exploit internal party splits to run their own campaigns for political office.

Once elected as governors or district heads (*bupati*), these entrepreneurs and bureaucrats are able to take a more independent stand towards the central administration than was possible during the New Order period, thanks to new political powers and additional funds generated by the local autonomy legislation. They remain vulnerable, however, to the complexities of their home regions. The often shaky political coalitions that allow them to grab power are also the most serious threat to their continued rule. Local legislatures have proved capable of throwing out local and provincial government leaders only weeks after electing them. Often, the payment of bribes to fellow political players is the only effective means of maintaining power.

Given the weak foundation of political leadership in the regions, it is essential for power-holders to secure the support of the two main pillars of the previous regime, the bureaucracy and the Indonesian National Army (TNI). The bureaucracy, however, has lost the solidity that was its trademark during most of the New Order period. Governors and *bupati* often view their subordinates

as possible challengers to their leadership, and more than once have sacked bureaucrats suspected of harbouring plans to run against them at the next election. Confronted with demanding and at times hostile parliaments, as well as power struggles within the bureaucracy, local power-holders often turn to the TNI for help. In extreme cases involving, for example, the impeachment of an executive leader or a disputed election result, the security apparatus may in fact be the only institution capable of keeping an incumbent in power.

The armed forces, for their part, have lost little of their political weight in the regions. Despite substantial political reform at the centre, ranging from the TNI's departure from parliament (DPR) and the People's Consultative Assembly (MPR) by 2004 to a ban on active military personnel taking up positions in the executive, the power base of the military in the provinces has remained largely intact. Reaching from the capital down to the village level, the TNI's territorial command system has for decades ensured the military's access to the economic and political infrastructure of the regions. The profitable interaction with various forces in local politics has kept the TNI financially independent from central budgeting mechanisms and guaranteed its status as an autonomous political player. Accordingly, it is the maintenance of the territorial command structure, much more than the defence of political participation in the executive or representative institutions in Jakarta, that has evolved as the TNI's primary institutional interest in the post-Soeharto era. As long as the foundation of its territorial organisation remains unchanged, the TNI will be a significant political actor in the regions and at the national level.

This chapter will explain how the dynamics of post-Soeharto local politics have helped the TNI defend its political dominance in the regions. It will look at the various attempts to reform the territorial command system since 1998 and analyse the reasons why they have largely failed. In discussing these issues, the chapter will focus on four elements: the history and political function of the TNI's territorial command structure; the proposals for reforming the system and their aborted implementation; the transfer of political power from the centre to the regions in the post-authoritarian era in the context of the TNI's interaction with local elites; and finally, the manner in which regional autonomy has strengthened the resilience of the territorial structure where it was once expected to weaken it.

## THE TNI'S TERRITORIAL STRUCTURE: FINANCIAL AND POLITICAL AUTONOMY

The TNI's vast network of territorial units has its historical roots in the guerilla war of the 1940s and the internal military conflicts of the mid-1950s. Arguing

that Indonesia's resources did not allow for a centralised, professionally equipped and highly mobile defence force, the TNI began in 1948 to institutionalise its presence through a web of territorial posts reaching from the centre down to the village level. Under this system, TNI units were asked to 'live off the land', that is, to finance their own operations and see to the welfare of their own soldiers. The construction of the territorial structure was largely completed by 1958, resulting in an effective military shadow administration running parallel to the institutions of civilian government. Military officers sitting on regional councils decided policy issues ranging from the oversight of political activity to the approval of business projects. Parliament conducted hearings in the early 1950s in order to establish central budgetary control over the armed forces, but the political machinations surrounding the hearings served only to remind the TNI that substantial financial self-sufficiency was the best way to maintain its organisational autonomy.

The TNI's independence from central government funding grew with the nationalisation of former Dutch state enterprises in the late 1950s. TNI officers were put in charge of running several of the largest companies, providing opportunities for the military to expand its income base. Equally important, however, were 'contributions' from local business people, mostly Chinese, to the local territorial units. The TNI's intervention in labour disputes, land acquisitions and business conflicts brought additional 'rewards'. This system of drawing from the economic resources of the regions to cover the TNI's operational and organisational costs was further consolidated by Soeharto's rise to power in 1966. TNI officers took over top posts in the bureaucracy, broadening the military's access to the political and financial infrastructure. The economic boom from the 1970s to 1990s created further opportunities, with many officers claiming that the high economic growth rates were based on the political stability that they had provided. This was used to justify a greater share of the profits for the TNI and its senior leadership.

When the New Order collapsed in 1998, and democratic reforms were being implemented, the issue of revising the TNI's territorial structure was one of the top priorities. There were three reasons for this. First, civilian supremacy over the armed forces was difficult to establish as long as the TNI was organised through a network of financially independent units.[1] Second, the TNI's institutionalised intervention in local politics was likely to obstruct the reform of political institutions in the regions. And third, the exploitation of local resources to fund the territorial units was a major obstacle to economic recovery in the provinces, which in turn was an obvious precondition for political consolidation. In short, the reform of the TNI's organisational structure was essential for achieving democratic change. For its part, the military was well aware that the reform of its territorial power base threatened its financial automony, its polit-

ical standing and the extraordinary opportunities for personal enrichment by individual officers. It was predictable therefore that it would resist plans to dismantle the foundation of its independence.

## FROM REVOLUTIONARY REFORM TO STATUS QUO: PROPOSALS TO REFORM THE TNI'S TERRITORIAL COMMAND SYSTEM

Under the Habibie administration (1998–99), with political parties still focused on internal consolidation rather than issues of military reform, the TNI tried to curb the excesses of its territorial presence. The territorial offices supervising political activity were disbanded and active personnel banned from taking up civilian posts in the executive. These internal reforms were aimed at preempting civilian-led initiatives for more wide-ranging restructuring of the territorial system. Claiming that its structure had been successfully depoliticised and that the territorial units were now focused strictly on external defence, the TNI hoped that much of the pressure for change had been deflected.

But with the transfer of power from the transitional administration to the heterogeneous coalition government of President Abdurrahman Wahid in October 1999, the political constellation changed dramatically. Power was now held by elected politicians, and exercised through a complex interplay of the executive and legislative branches. Military officers fighting for promotion quickly discovered that alliances with political parties were a helpful vehicle for the settlement of their internal rivalries. It was this changing political landscape that revived the debate on the future of the territorial system.

In late 1999, only weeks after Abdurrahman's election, the chief of the regional command in Sulawesi, Major-General Agus Wirahadikusumah, suggested at a parliamentary hearing that the TNI should think about disbanding its territorial network. The statement sent shock waves through the ranks. Although Wirahadikusumah was known as a vocal proponent of military reform, this personal initiative breached a major taboo. He had spoken in parliament without consulting his superiors, and he had proposed the dismantling of the very system upon which the TNI's political significance had rested since the late 1940s. Wirahadikusumah's proposal earned him the hostility of most of his colleagues, but also caught the attention of the president. During a visit to Makassar in December 1999, Abdurrahman promised the isolated general a triumphant return to a national role. In March 2000 Wirahadikusumah was installed as commander of the Strategic Reserve, a prestigious three-star position. Significantly, many of his allies were also promoted to key positions, including Major-General Saurip Kadi, who became assistant for territorial affairs to the army chief of staff.

Before leaving Sulawesi, Wirahadikusumah initiated a study by several local universities on the excesses of the territorial units in the area. The general wanted academic ammunition to continue the debate on the territorial system, and the study was designed to deliver him that.[2] At around the same time, Saurip Kadi developed a pilot project to disband the Babinsa units, the lowest level of the command system, in selected areas.[3] With Wirahadikusumah's group enjoying presidential backing and his further promotion simply a question of time, a meeting of the TNI leadership held in April 2000 endorsed Saurip's project as official TNI policy and accepted that its ultimate goal should be the military's complete withdrawal from politics. Two years after Soeharto's fall, it appeared that the territorial command system would be unable to escape the political dynamics of the democratisation process.

The reformist spirit, however, was short-lived. In August 2000 Wirahadikusumah was relieved of his command and most of his supporters within the TNI sidelined. Abdurrahman, anxious to secure TNI support in his increasingly desperate fight for political survival, could no longer afford to alienate the military mainstream. Opposition to Wirahadikusumah had grown so strong that defending him had become too much of a political burden for the struggling president. When a group of influential generals threatened to resign, Abdurrahman put an end to Wirahadikusumah's short reign over the reform process. The initiative now moved to Wirahadikusumah's friend-turned-opponent, Lieutenant-General Agus Widjojo, chief of staff of territorial affairs at TNI headquarters.

But it was not only the changing dynamics of elite politics that halted the reform of the territorial command system. Equally important was research from the regions that contradicted the position of the reformers. Independent research on the territorial command system undertaken throughout 2000 revealed that a majority of Indonesians viewed the TNI's territorial units as an inseparable and indispensable part of local government (Table 16.1). While voicing strong opposition to military involvement in politics, they saw the armed forces as the most efficient institution in terms of law enforcement, security, emergency relief and preservation of national unity. Approval rates for the continued presence of the Kodam commands ranged from 65 to 75 per cent. The rates were lower for the Korem, Kodim and Koramil commands, but still in the 50–60 per cent range. Only for the Babinsa command were opponents and supporters evenly spread. Ironically, even the study initiated by Wirahadikusumah in Sulawesi came up with similar results.

The results pointed to trends in post-Soeharto local politics that have become even more significant since this research was undertaken: namely widespread distrust of local governments, an almost total lack of confidence in the police, and the collective preference for stability over demands for reform. The combination of these factors has allowed the TNI to maintain its territorial

*Table 16.1 Level of Agreement with or Rejection of Continued Presence of Territorial Command Units*[a]

| Territorial Unit | Agree | Reject | No Opinion |
|---|---|---|---|
| Kodam (cross-provincial/provincial level) | 65.8 | 26.1 | 8.1 |
| Korem (provincial/*kabupaten* level) | 54.4 | 32.5 | 13.1 |
| Kodim (*kabupaten*/*kecamatan* level) | 62.1 | 30.1 | 7.7 |
| Koramil (*kecamatan*/*kelurahan* level) | 55.6 | 37.6 | 6.9 |
| Babinsa (village level) | 45.4 | 44.3 | 10.0 |

a Results are for Kodam Jaya (Jakarta), Siliwangi (West Java), Brawijaya (East Java), Udayana (Bali, West and East Nusa Tenggara) and Tanjungpura (Kalimantan), November 2000.

*Source*: Aliansi Peneliti Muda Hubungan Sipil-Militer (2000: 18).

presence with a surprisingly high level of public support. Agus Widjojo, responsible for developing a new concept for the reform of the territorial command system following Wirahadikusumah's fall from grace, tried to combine the latter's radical vision with the conservatism of grassroots Indonesians and the TNI mainstream. The result was presented in August 2001.[4] According to the concept developed by Widjojo, the TNI would hand over many of its territorial functions to local governments and gradually disband the Babinsa, Koramil and Kodim commands over 20 years. The Korem and Kodam commands would play no role beyond preparing the regions for the possibility of an external attack.

Widjojo's proposal contained several loopholes, however: in particular, it maintained the option for the military to become involved in domestic security issues at the request of the central government. Apart from allowing the TNI to continue to operate in the arena of local politics, this scenario also offered welcome legal protection for TNI troops. Under the proposal, responsibility for any excesses committed by troops in the field would no longer lie with the TNI commander but with the government that had ordered the military to intervene.

Despite the obvious advantages for the TNI, Widjojo found very few supporters for his ideas within TNI headquarters. The fact remained that disbanding the three lowest levels of the territorial command structure would severely undermine the principle of TNI self-sufficiency. After the proposal was announced, a group around Ryamizard Ryacudu, commander of the Strategic Reserve, openly campaigned against it. Ryamizard claimed the proposal would

'kill' the TNI, warning that it would lead to independence for Papua on the day after the territorial units were withdrawn. By late 2001 Widjojo's initiative had faltered. He was transferred from TNI headquarters to the MPR, where he served as deputy speaker. Ryamizard, in contrast, was appointed army chief of staff in April 2002, marking the end of the debate on reform of the territorial structure. TNI headquarters returned to its pre-1999 position, claming that the territorial system had already been reformed and that any further changes would threaten the unity of the state.[5]

As with Wirahadikusumah's proposal, the fate of Widjojo's concept was decided by more than politicking among competing elites: it reflected shifting political priorities both at the centre and in the regions. At the centre, the civilian leadership had become increasingly concerned about rising crime levels, continued religious and ethnic conflict, secessionist upheavals and social fragmentation. In this context, the preparedness of both the executive and legislative branches to experiment with military reform had declined significantly since 1999–2000. In addition, the preoccupation of the US government with its 'war on terror' reduced international pressure on the TNI to proceed with reform. When the US Congress lifted some of its restrictions on military aid to Indonesia, TNI officers immediately claimed this as confirmation that the armed forces had been successfully reformed.

In the regions, on the other hand, many civilian leaders had become convinced that the TNI was an indispensable tool to secure the effectiveness of the bureaucracy and save local elites from an increasingly impatient mob. Close personal alliances between local civilian elites and regional commanders replaced the institutional regime arrangements of the New Order. And with more money flowing into the regions, the TNI appeared willing to trade its declining political status at the centre for the consolidation of its territorial power base in the regions.

## THE TNI AND THE TRANSFER OF POWER TO THE REGIONS

The discussion so far has focused on showing how a combination of central and regional factors prevented reform of the territorial command system. I have argued that the TNI's core institutional interests in the post-Soeharto era are tied to the maintenance of the territorial command structure, which in turn guarantees its independence from civilian control mechanisms. The TNI's agenda has coincided with the interests of local power-holders, who need institutional support in an unstable and shifting political environment. In this part of the chapter, I discuss in more detail the nature of the relationship between the TNI's territorial units and local governments. I will show how the TNI's past practice of drawing from regional resources to cover its budget has undergone very little

change since the New Order period. If anything, the increased flow of money to the regions, the declining opportunities at the centre, and the need of local governments for an efficient security force have made the regions all the more attractive for the TNI.[6]

The resilience of the TNI's regional power base is best illustrated by the catalogue of micro reforms aimed at depoliticising the military. These reforms, while wide-ranging in the sector of administrative change, have not affected the core of the territorial system. Analysed from the perspective of administrative reform, the TNI's position vis-à-vis local governments has indeed undergone significant change since Soeharto's fall. In fact, most of the territorial functions slated for transfer to local administrations under Widjojo's proposal have already been handed over under a ministerial decree issued in 2000 (Decision by the Minister of Home Affairs No. 50/2000) (Table 16.2). The formerly military-dominated Offices for Socio-political Affairs were replaced by Offices for National Unity, and most of the social functions previously carried out by the TNI were taken over by the various agencies (*dinas*) of the local governments.

Even the efforts to strengthen local civilian security forces such as the Polisi Pamong Praja (Civil Service Police) have been codified under decrees issued by local governments (see, for instance, Sakunab 2002: 15). Local governments intended that the Civil Service Police would gradually replace the military and the police in supervising the implementation of government policies. They hoped that local administrations would be able to absorb the TNI's previous functions without major disruptions to their day-to-day duties.

Most of the territorial functions surrendered under the administrative reform program, however, were peripheral to the main institutional interests of the TNI. None of the 14 items mentioned in Widjojo's concept paper or the ministerial decree were crucial to the TNI's ability to maintain its sociopolitical influence. Giving up its supervisory role over agriculture, birth control, literacy and anti-poverty programs, the student militias and transmigration sites was a symbolic departure from the integralist understanding of the TNI's participation in politics and development, but it did not reduce its political weight as the only effective security force amid weak civilian institutions. The Civil Service Police were largely ineffective in enforcing government policies, with local communities ignoring their orders and regarding the TNI as the only authority they were prepared, or obliged, to acknowledge.[7]

Furthermore, under the local autonomy legislation of 1999, national defence was to remain the responsibility of the central government, with the TNI staying in control of its own internal organisation and hierarchy. If anything, the increased obligation for district governments to manage the resources of their regions opened new opportunities for the TNI to gain access to the economic infrastructure. Claiming that it was responsible for preparing the various regions for the (highly unlikely) scenario of an external attack, the TNI offered

*Table 16.2 Functions Transferred to Local Government under Widjojo's Proposal, and Government Agencies to Take Over these Tasks*[a]

| | Widjojo's Proposal | Ministerial Decree |
|---|---|---|
| 1 | Unity and Solidity of the Nation (Persatuan dan Kesatuan Bangsa) | Office for National Unity (Badan Kesatuan Bangsa) |
| 2 | Local Security Functions (Binkamwil/Siskamling) | Office for the Protection of Society (Badan Perlindungan Masyarakat) |
| 3 | Operation to Eradicate Illiteracy (Operasi Bakti Buta Aksara) | Government Office for Education (Dinas Pendidikan) |
| 4 | Participation in Development (Partisipasi Pembangunan) | Agencies for Kabupaten/Municipality Development Planning (Bappekab/ Bappekot) |
| 5 | National Foster Parent Movement (Gerakan Nasional Orang Tua Asuh) | Government Office for Social Welfare (Dinas Kesejahteraan Sosial) |
| 6 | Guidance for Student Regiments (Pembinaan Menwa) | Government Office for Youth and Sport (Dinas Pemuda dan Olah Raga) |
| 7 | Guidance for Areas with Food Shortages (Pembinaan Daerah Rawan Pangan) | Office for Food Resilience (Badan Ketahanan Pangan) |
| 8 | Guidance for Community Leaders (Pembinaan Tokoh Masyarakat) | Office for Community Empowerment (Badan Pemberdayaan Masyarakat) |
| 9 | Family Planning – Health (Keluarga Berencana – Kesehatan) | Government Office for Health (Dinas Kesehatan) |
| 10 | Agricultural Promotion Projects (Manunggal Pertanian) | Government Office for Agriculture (Dinas Pertanian), Information Office for Agricultural Affairs (Kantor Informasi Penyuluhan Pertanian) |
| 11 | Guidance for Youth (Pembinaan Generasi Muda) | Government Office for Youth and Sport (Dinas Pemuda dan Olah Raga) |
| 12 | Guidance for Housing Units in Transmigration Areas (Pembinaan Unit Permukiman Transmigrasi) | Government Office for Transmigration (Dinas Transmigrasi), Government office for Regional Housing and Infrastructure (Dinas Kimpraswil) |
| 13 | Guidance for the Economic Development Zones (Pembinaan Kapet) | Office for the Development of the Kabupaten/City (Bappekab/Bappekot) |
| 14 | Guidance for Poor Families (Pembinaan Keluarga Pra Sejahtera) | Government Office for Social Welfare (Dinas Kesejahteraan Sosial) |

a Under Minister of Home Affairs Decision No. 50/2000.

*Source*: TNI (2001); Mardiyanta (2002: 9).

*bupati* their assistance in securing regional assets, and demanded substantial compensation in return. Current plans to establish regional offices (*kanwil*) of the Department of Defence are likely to consolidate this arrangement.

Lack of expertise in managing defence resources was not the only reason why local power-holders had an interest in keeping the TNI in the political game: the military was often the ultimate force in deciding the outcome of their power struggles. Disputed election results, impeachments of governors and *bupati*, splits in political parties and mob violence all provided the TNI with opportunities to intervene in politics. Often its decision to protect – or not to protect – a local head of government would decide his or her fate. Whether it was the controversy over the mayoral election in Medan, the conflict accompanying the impeachment of two mayors in Surabaya, the fight for the governorship in North Maluku, the disputed election results in Kupang and Sampang, or the dismissal of the governor in South Kalimantan, the role of the security forces in controlling mass demonstrations was essential to maintaining, or transferring, power. The executive branches of local government were obliged to cultivate good relations with the TNI given the fractious and fickle nature of legislatures.[8] This, in turn, has formed the basis for the TNI's continued access to regional economic resources (ICG 2002e).

The case of the election of the *bupati* of Sampang, Madura, provides a good example of how the TNI engages with local power elites. The local TNI command decided early in the piece to prevent the re-election of the incumbent, Fadhilah Budiono, a retired police officer (Wiyata and Kusnadi 2001: 42). As Fadhilah was backed by the United Development Party (PPP), the TNI decided to support the candidate of the National Awakening Party (PKB). When Fadhilah won in July 2000, the election result was challenged unsuccessfully on a technicality. PKB supporters eventually burned down the local parliament to prevent Fadhilah's inauguration. The TNI did little to control the mass violence, allowing the political crisis to drag on for months. The case was aggravated by President Abdurrahman's intervention on the side of his own party, the PKB. The Sampang command only changed its stand and conceded Fadhilah's appointment when Abdurrahman's political fortunes declined and TNI headquarters distanced itself from the president. Even though it had failed to have its candidate installed, the TNI had made its point: it had demonstrated the military's importance as a stabilising, or destabilising, force in local politics. With Fadhilah substantially weakened, the military could rest assured that it would continue to play a dominant role in Sampang politics.

Cooperation between local power-holders and military commands has become a common feature of post-Soeharto politics, but there are exceptions. In some areas the TNI has gained such extensive control that civilian administrations are largely irrelevant. In Timika, the site of the giant Freeport mine in the province of Papua, for instance, the TNI's territorial units are so

autonomous in conducting their business and security operations that most local government officials are not interested in seeking their support, but instead campaign for their removal.[9] The military in turn deems it unnecessary to enter into power-sharing arrangements with the local government.

The TNI's unpopularity in Timika has grown into a liability for every civilian politician running for public office. Rather than viewing the military as a helpful tool in maintaining power, local officials complain about its attempts to absorb their budget, on top of the profits the TNI gains from illegal business activities and protection services. They believe that the TNI makes a habit of instigating social or ethnic unrest precisely at the time of submitting requests for additional funding.[10] Largely disengaged from the distribution of economic resources, and aware of the TNI's potential to destabilise the security situation, Timika's political leaders have little reason to follow the model established in most other parts of Indonesia.

Papua and the areas seriously affected by the armed conflict in Aceh are exceptional cases in terms of the evolving power relations in local politics, but they further underline the TNI's continued determination to maintain its organisational self-sufficiency by drawing on every available resource.

## OLD STRUCTURES IN A NEW SYSTEM: THE TNI AND LOCAL POLITICS IN THE POST-SOEHARTO ERA

This description of the TNI's engagement in post-Soeharto local politics reveals significant similarities with, but also substantial differences from, the New Order period. The similarities are mostly related to the way in which the TNI mobilises regional resources to fund its territorial units. As under the New Order, the military requests a share of regional revenue, often hidden in the budget as 'stability funds' or other items at the disposal of the executive. Long-serving *bupati* report that their administrations continue to receive bills for all major TNI operations, ranging from security interventions to disaster relief and development programs.[11] ABRI Masuk Desa (ABRI Enters the Village), the social development initiative aimed at boosting the military's public image, has always been funded by local government, as is its post-Soeharto successor, TNI Masuk Desa (TNI Enters the Village).

There have also been very few changes in the military's use of extortion. While the civilian militias of political parties and other mass organisations have claimed a share of the local protection business for themselves, the rising levels of general crime, religio-ethnic clashes and social tension have forced local businesses both to increase their payments and to spread them more widely among the various competitors. With the TNI still viewed as the most effective player in the protection sector, the funds flowing into the institution, and into

the private coffers of its senior officers, are incentive enough to maintain a strong local presence.

The most remarkable differences between the TNI's involvement in local politics under Soeharto and in the post-authoritarian era are evident in the field of administration and the more general task of maintaining existing power structures. Active and retired military officers now occupy very few civilian posts in local government, with the remaining personnel concentrated in the Offices for National Unity. The TNI has lost its exclusive grip on governorships and *bupati*-ships in certain areas, and has refrained from engaging in sociopolitical sectors peripheral to its core institutional interests.

This disengagement from local government institutions, combined with the regime changes at the centre, points to the major contrast to New Order local politics. Under Soeharto, the TNI's incorporation into the institutional arrangements of local governments was aimed at maintaining the regime as a whole. The military, the bureaucracy and Golkar, while having their own sectoral interests, all worked to defend the New Order administration from external and internal threats. In this context, local politics was a function of regime maintenance at the centre.

With the collapse of the omnipotent central regime, the fragmentation of power in the post-Soeharto era and the disengagement of the TNI from formal political institutions, the armed forces no longer have a stake in defending a specific political regime, either at the centre or in the regions. Thus alliances formed at the local level no longer have an institutional character, but are personal and limited to a particular purpose and period of time. Accordingly, the TNI provides security services to an individual power-holder rather than offering institutional support. This paradigmatic shift highlights the TNI's focus on the maintenance of its territorial command system, and its awareness that the control of economic resources is increasingly being handed over to the political elites in the regions. The fragmentation of these elites, in turn, prevents it from making an institutional commitment to a particular political force, but only a case-by-case decision on whether to provide, or withhold, support.

On balance, the transfer of power from the centre to the regions has strengthened the TNI's territorial power base where it was designed to weaken it. A successful transfer of military responsibilities to civilian institutions would have required a political process driven by strong political parties, protected by efficient civilian security forces and framed by coherent democratic procedures. With none of these preconditions fulfilled, the transfer of power and funds to local administrations increased interelite tensions in the regions and consolidated the position of the TNI's territorial units as fortresses of stability. Faced with fragmented parties, corrupt police and arbitrary political mechanisms, local politics will have to reckon with the TNI as a significant political player for years to come. Local governments will turn to the TNI in search of a stabil-

ising element in an unpredictable political environment,[12] and the military will continue to enjoy access to the economic resources of the regions and defend its organisational autonomy. As with so many other ideas of the *reformasi* movement, the reform of the territorial structure has collapsed under the complexity of Indonesia's political and economic problems. And it will take more than the downfall of another president to put it on the agenda again.

## NOTES

1 At the end of the New Order, 70 per cent of all army troops were stationed in territorial commands. Only 51 per cent were part of a combat unit; the rest did administrative or other non-military work. Military experts have argued that with such an organisational structure, the TNI would stand little chance of fending off an external attack (Widjajanto 2002: 54).

2 Interview with Major-General Agus Wirahadikusumah, Makassar, 23 February 2000.

3 The army's command system comprises Kodam (Regional Military Commands), Korem (Resort Military Commands), Kodim (District Military Commands), Koramil (Subdistrict Military Commands) and Babinsa (literally, Soldiers for Village Development). While there is no strict correspondence between military commands and civilian administrative borders, a Kodam usually covers one large province or several smaller provinces; a Korem a smaller province or larger *kabupaten*; a Kodim the smaller *kabupaten*, cities or larger *kecamatan*; a Koramil the *kecamatan*; and Babinsa the village level.

4 The concept developed by Agus Widjojo was finalised at a workshop held at TNI headquarters in August and summarised in a TNI paper in October 2001 (TNI 2001).

5 Interview with Lieutenant-General Agus Widjojo, Jakarta, 19 September 2002.

6 There was widespread speculation that the re-establishment of Kodam Iskandar Muda in Aceh in February 2002 was aimed largely at increasing the provincial government's contribution towards the TNI's operational costs. Sources within the command have confirmed that little official TNI funding was made available for the re-establishment, which was mainly financed through 'direct contributions' to the commander (interview with Lieutenant-Colonel Firdaus, spokesperson for Kodam Iskandar Muda, Banda Aceh, 16 April 2002).

7 Interview with Mahmud M. Taher, deputy chair of the Maluku Tenggara regional assembly, Makassar, 23 April 2002.

8 Some *bupati*, especially those with a military background, were actually opposed to the TNI giving up its civilian territorial functions. Rudolfo Rukka, the *bupati* of Maluku Tengah, argued that the TNI should maintain its engagement in six of the 14 areas that Widjojo had proposed it should give up (interview with Rudolfo Rukka, Makassar, 24 April 2002).

9 Interview with Oktavianus Kambu, first assistant to the secretary of Timika district, Jayapura, 12 August 2002.

10 The *bupati* of Timika, Klemen Tinal, suggested that 'members of the TNI, especially those of [Freeport's] Satgaspam, deliberately create an unsafe situation, with the goal of defending their own existence' (Tinal 2002: 2).

11 Interviews with Soetrisno R., *bupati* of Nganjuk, Surabaya, 14 November 2001, and Fabianus Pinjab, deputy chair of the Merauke regional assembly, Jayapura, 13 August 2002.

12 In the words of the *bupati* of Ende, the TNI is expected to play the role of 'facilitator, mediator and negotiator' in local politics (Domi 2002: 6).

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# 17 DECENTRALISATION AND THE INDONESIAN BUREAUCRACY: MAJOR CHANGES, MINOR IMPACT?

*Rainer Rohdewohld*

The decentralisation of government functions initiated by Law No. 22/1999 constitutes one of the most radical changes to Indonesian public administration since independence in 1945. Local administrations are now delivering a far greater range of public services, and are fully responsible for the planning, managing and budgeting of such services. They have been forced to reorganise their organisational structures to accommodate new staff and new functions. Untied central government grants allow the regions discretion in allocating revenue, requiring local governments to justify their priorities for public policies. The previously strong position of the bureaucracy, which in the past used to determine local public policies unilaterally, is being challenged by the much stronger role of regional representative bodies (DPRDs) in local policy-making, in the budgeting process and in electing the local leadership. Add to this the decentralisation law's emphasis on community participation and transparency of public sector activities (including finance), and the 'new world' in which the regional administrations find themselves becomes apparent.

Yet despite these fundamental systemic reforms to the Indonesian bureaucracy, surprisingly little seems to have changed in the way in which civil servants go about their activities and public institutions deliver (or fail to deliver) their services. Individual cases of reform and change do occur (Kusumaatmadja 2002), but there is an alarming lack of concerted and coordinated reform initiatives targeting public administrative structures and working procedures. At the national level, civil service reform has barely received any attention from the political leadership, meaning that recruitment, career systems and the remuneration system remain virtually unchanged from the Soeharto area. Neither has decentralisation been complemented by a systematic effort to overhaul the often unwieldy and byzantine central government administration, where departments continue to be 'poor in functions but rich in structures'. Corruption, collusion

and nepotism (commonly known by the acronym KKN) have not decreased, and Law No. 28/1999 on clean public sector administration remains a political statement with little practical implementation.

In the following, I will discuss the effects of decentralisation on the structure of the Indonesian bureaucracy at the local and central levels, as well as the continuing need for administrative reform, to which decentralisation has added a new layer of complexity.[1] I will argue that the reform of the bureaucracy is one of the forgotten elements of *reformasi* and that there is a lack of political will to address core administrative problems. Potentially, this could have a significant impact on the broader democratisation process.

## THE INDONESIAN BUREAUCRACY AFTER DECENTRALISATION

### Some Basic Facts

The most significant effect of decentralisation on the bureaucracy has been the reversal of the distribution of civil servants between the centre (*pusat*) and the regions (*daerah*). According to the government, 2,355,435 civil servants have been removed from the central government's authority and placed under that of regional governments (Menpan 2002a: 6). As can be seen from Table 17.1, in 1999 almost 90 per cent of civil servants were employees of the central government. This figure fell to about 25 per cent after the decentralisation laws came into effect.[2] The transfer of staff usually did not involve physical relocation, since a large proportion of central government civil servants were already posted to the regions, working either for 'deconcentrated' units of the national administration or for regional government agencies (Büntjen 1999). The overwhelming majority of regional civil servants are now employed at the *kabupaten*/*kota* (district) level. Of 3 million regional civil servants, only 464,447 are

*Table 17.1 Distribution of Civil Servants, 1989–2002*

| Level of Government | 1989 | | 1994 | | 1999 | | 2002 | |
|---|---|---|---|---|---|---|---|---|
| | (no.) | (%) | (no.) | (%) | (no.) | (%) | (no.) | (%) |
| Central | 3,151,661 | 86.9 | 3,471,595 | 87.5 | 3,519,959 | 87.9 | 930,602 | 23.7 |
| Regional | 475,954 | 13.1 | 494,183 | 12.5 | 485,902 | 12.1 | 3,002,164 | 76.3 |
| **Total** | 3,627,615 | 100.0 | 3,965,778 | 100.0 | 4,005,861 | 100.0 | 3,932,766 | 100.0 |

*Source*: Rohdewohld (1995: Table 10); Büntjen (1999: Table 3); Menpan (2002a: 6).

attached to provincial administrations, whereas 2,537,687 million are employed at the district level (Menpan 2002a: 6).

The 'unloading' of central government staff to the regions added to an already existing surplus of personnel. Regions usually had no discretion to either appoint or refuse staff. Transferred central government staff in many cases had a higher echelon ranking than corresponding local staff, giving them an advantage in the race for management positions in local administration. Figures from the Ministry for Administrative Reform (Menpan) provide evidence that the majority of central government civil servants holding a structural (management) position who were transferred to a regional administration were promoted to a higher echelon (Menpan n.d.).

Findings from the Asia Foundation's second Indonesia Rapid Decentralisation Appraisal (IRDA) indicate that regions spend approximately 80 per cent of their routine budget on salaries. Seen against the total budget (routine plus development expenditure), salaries make up about 60 per cent of regional budgets (GTZ 2002).[3] It seems that the cost to the regions of salaries did not increase in proportion to the number of staff transferred, because many of the transferred civil servants were already being paid by the regions (World Bank 2002b). However, the personnel expenditures of the regions were affected by Government Regulation No. 84/2000, which not only standardised the echelon levels of management positions in regional administrations, but also increased echelon ranks by one level.[4]

Regional administrations reacted to decentralisation and the influx of civil servants from the central level by restructuring their organisations, using Government Regulation No. 84/2000 and Ministerial Decree No. 50/2000 from the Ministry of Home Affairs as guides.[5] Comprehensive data are not available as yet on whether this adjustment led to a general expansion of regional administrations' organisational units, or whether the regions have, rather, 'downsized' in order to become more efficient. The first IRDA report indicated that many local governments had taken steps to simplify their existing organisational structures, while also developing new structures by adding agencies and units (Asia Foundation 2002a: 15–16). The second IRDA findings confirmed that

> organisational restructuring through reduction, merger and creation of units provides for an opportunity for local governments to pursue efficiency in service delivery and better co-ordination of government functions; however there are also cases of new organisational units created only to absorb surplus staff of local governments (GTZ 2002: 1–2).

## Shift of Public Funds

Another major result of decentralisation has been the shift of public funds from the central government to the regions (Table 17.2). The new fiscal transfer

*Table 17.2 Intergovernmental Fiscal Transfers, 2000–02*

| Year | Rp trillion | % of GDP | % of domestic revenue | % of expenditure |
|---|---|---|---|---|
| 2000 | 32.9 | 3.3 | 16.0 | 15.0 |
| 2001 | 82.4 | 5.6 | 27.5 | 23.2 |
| 2002 | 94.5 | 5.6 | 31.3 | 27.5 |

*Source*: Kadjatmiko (2002).

system introduced by Law No. 25/1999 on Fiscal Balance between the Centre and the Regions nearly doubled the disbursements as a percentage of GDP, giving local governments a proportion of government expenditure comparable to that in OECD countries (Deuster 2002).[6] In the procurement of goods and services and the funding of infrastructure projects, the role of the regions is significantly stronger now than before decentralisation.

The linkage between the civil service payroll and fiscal transfers to the regions remains a contentious issue. Because regions were more or less forced to accept central government personnel despite an existing surfeit of staff, 50 per cent of the 2001 general block grants (DAU) was based on the regional wage bill. The 2002 DAU allocation reduced this element, though regions continued to argue the need for additional transfers to cover their increased personnel expenditures. Civil service pay issues had created friction between the centre and the regions when, in May 2001, the central government decreed an increase in civil service pay by an average of 14 per cent.[7] To make matters worse, the increase was backdated to 1 January 2001, thus forcing the regions to revise their 2001 budgets. This issue was exploited by many regions as an opportunity to demand (unjustified) additional payments from the central government. It shows, however, the serious lack of coordination in the management of the civil service.

## Civil Service Management Issues after Decentralisation

Law No. 22/1999 does not address civil service management issues in a comprehensive manner. Article 76 does, however, give the regions the authority to appoint civil servants and to assume a number of personnel management functions in accordance with nationally approved norms and procedures.

Shortly after the approval of Law No. 22/1999, the civil service law (Law

No. 8/1974) was amended by Law No. 43/1999. The amendment only partially addressed the issue of managing a decentralised civil service (GTZ/CLEAN Urban 2000) and will require a considerable number of implementing regulations and guidelines if it is to be effective. It envisaged the establishment of an independent civil service commission to advise the president on civil service issues, and of a National Civil Service Agency (BKN). It confirmed the human resource management functions of the regions and stipulated the establishment of a Regional Civil Service Agency (BKD) as the lead agency for human resource management at the regional level.

In late 2000, two implementing government regulations were approved. They outlined in more detail two important human resource management functions to be implemented by the regions. Government Regulation No. 96/2000 transferred authority for appointing and promoting civil servants in ranks (*golongan*) Ib–IIId to the district governments, while the provincial governments were authorised to promote civil servants of ranks IVa–IVc. Promotion of the highest ranks (IVd and IVe) remained the prerogative of the president. Government Regulation No. 97/2000 confirmed that the personnel establishment (*formasi*) of each region was to be determined by the region itself and codified in a regional regulation following consultation with and endorsement by the two central government agencies dealing with the civil service, that is, the Ministry for Administrative Reform and the BKN.

Law No. 43/1999 aimed to ensure central hegemony over civil service policies, including the setting of norms, standards and procedures. It sought to maintain a unified civil service in which such elements as entry requirements, preconditions for promotion, performance appraisal and remuneration were set at the national level and applied to all civil servants irrespective of whether they worked in the central or the regional bureaucracy. Thus the law followed the prevailing perception of the civil service as a kind of 'national glue' (Tjiptoherijanto 2002: 2), while allowing for decentralised human resource management functions at each level of government.

This civil service framework has not yet been implemented fully. At the national level, a civil service commission has not been established, hindering the creation of consultative mechanisms between the centre and the regions. As a consequence, regions are not included in the formulation of civil service policies, although decisions on civil service remuneration, for instance, impact heavily on their budgets, as evidenced by the conflict surrounding the 2001 pay increase. Tjiptoherijanto (2002) points to another management issue requiring close consultation between the centre and the regions: although the regions have been given the authority to recruit staff, responsibility for pension payments remains with the central government. Therefore, the personnel decisions of the regions will have a long-term expenditure impact on the central government. Because of the existing frictions in managing the civil service, this issue

has repeatedly been mentioned as a potential justification for recentralisation in any revision of Law No. 22/1999.

Law No. 43/1999 confirmed the possibility of an honourable discharge for civil servants in cases where government organisations were being dissolved, providing a legal basis for reducing the number of civil servants and dismissing those whose qualifications did not meet the new requirements. However, this stipulation has yet to be used in the context of the massive transfer of central government civil servants to the regions.

While Presidential Decree No. 159/2000 outlined details for the regional-level BKD, there has been a lack of regional initiative and central-level guidance in implementing the decree. As a result, the human resource management function is often left to the Regional Secretariats (Sekda), and the necessary shift from personnel administration (such as maintaining staff records and statistics) to human resource management (such as formulating training and career development policies) has not taken place. Proposals for capacity building with regard to this important aspect of regional autonomy have been formulated (GTZ/CLEAN Urban 2000) but are not being addressed in a comprehensive manner by either the government or the donor community.

One issue debated widely in the media and in administrative circles is that of the preference for *putra daerah* (local inhabitants), that is, the perceived tendency of regions to recruit only from within their own areas.[8] However, there is no empirical evidence to substantiate the perception that this is indeed a major problem in regional civil service management.

## THE BUREAUCRACY AND THE NEED FOR REFORM

From the 1970s, the Soeharto regime used the civil service as an instrument of social and political control. It inculcated an institutional culture of compliance in the bureaucracy whereby loyalty was rewarded with security of tenure, pension rights and access to development funds.

The deficiencies of the Indonesian public sector in general and the state administration in particular have been documented and discussed in earlier studies (UNDP 1991; Rohdewohld 1995). They include the disconnection of the civil service from society, a lack of public accountability, a hierarchical and patrimonial working culture that was not conducive to creating an internal culture of critical thinking and self-reflection, and massive problems of misuse of public funds and corruption. More recent literature (Painter 2001; Brietzke 2002; ADB 2002) has confirmed the continuing existence of such shortcomings. Indeed, Indonesia's bureaucracy has been rated one of the worst in the region.[9] While there is no doubt that the 'New Order bureaucracy has been an effective instrument in enabling the government to accelerate economic growth,

increase the level of welfare and maintain political stability' (Legowo 1999: 83), there is also scant reason to dispute a recent assessment that 'the national system of administration and the civil service system are not sufficiently conducive to good governance and improved performance. Both systems need fundamental reform taking internationally recognized good practices into account' (ADB 2002: 87).

Key policy documents such as the Broad Outlines of State Policy (GBHN) for 1999–2004 and the National Development Program (Propenas) for 2000–04 include chapters on administrative reform and the improvement of public services.[10] The GBHN, for instance, declares one of the government's key missions to be the realisation of a state apparatus that can serve society, that is professional and effective, and that is productive, transparent and free from corruption, collusion and nepotism. This mission statement is further elaborated in the policy directions (*arah kebijakan*) of the GBHN, which list among other things the cleaning up of KKN within the state apparatus by imposing heavy penalties and allowing greater community control (*pengawasan masyarakat*); the implementation of a performance-based career system; and improvements to accountability in managing state assets.

With a ratio of civil servants to population of around 2 per cent (Menpan 2002d: 6), the Indonesian bureaucracy is slightly below the regional average of around 2.6 per cent (Painter 2001).[11] While the overall size of the civil service is therefore not of particular concern, the government has admitted weaknesses in the quality of staff, and in their sectoral and geographical distribution (Menpan 2002d: 2). According to the government, two indicators of the unbalanced skills mix are, first, the ratio between administrative–auxiliary staff (*tenaga administratif*) (numbering approximately 1.8 million) on the one hand, and technical–functional staff (*tenaga fungsional*) (1.9 million) on the other; and second, the fact that only about 25 per cent of civil servants have tertiary qualifications (most are secondary school graduates) (Hardijanto 2002b: 2–3). The continuing mismatch between administrative tasks and the skills and experience of staff is due to governments not properly analysing the functions, workloads and human resource requirements of the respective administrative institutions (Menpan 2002d: 2).

The report to cabinet of the State Minister for Administrative Reform in early 2002 lists numerous shortcomings in the state administration, including persistent corruption, inefficient and ineffective working mechanisms, and a lack of systematic and structured supervision and accountability mechanisms (Menpan 2002a). In typical Indonesian understatement, the report summarises the situation by saying that the state administration is

> not yet proportional regarding the number of civil servants and regarding the organization … [that the] quality of civil servants is not yet sufficient … [that] work sys-

> tems and procedures are not yet optimal … [that the] level of accountability is still weak … [that] supervision and control are not yet effective and that the delivery of public services is not yet in accordance with the wishes of society (Menpan 2002a: 3).

The cabinet report links civil service issues with general public sector reform and the changing role of the government (said to be 'steering instead of rowing'); the need to be accountable; and new modes of delivering public services (including involving civil society and the private sector in the provision of services).

## STATE ADMINISTRATION AND *REFORMASI*: THE FORGOTTEN AGENDA

Regarding the civil service, the 1999–2004 GBHN is remarkably similar to the preceding GBHN for 1993–98, which repeated the familiar mantra of creating a more 'professional, efficient, effective and responsive' civil service (Department of Information 1993: 115). Improvement of the supervisory system (both internal and functional supervision as well as control by the society) and promotion of the civil service 'through career development on the basis of working achievement, professional ability, expertise and skill' were mentioned as some of the key areas in this field.

The similarity of the previous GBHN (formulated at a time when the Soeharto regime was at its peak) with the present GBHN indicates the continuity of thinking and culture despite the shift to a democratic system from 1998. This shows that attitudes towards the role of the bureaucracy are not a function of specific regime types (authoritarian versus democratic), but are rather the result of context-specific configurations of political and administrative elites. These elites are embedded in hierarchical, patrimonial patterns of social interaction that allow 'predatory elites' (Brietzke 2002) to capture the state administration to the disadvantage of the majority of citizens. The most significant constraint to effective public sector and civil service reform is the lack of political will to conceptualise and implement – against powerful vested interests – significant changes that would tackle the serious shortcomings of the present bureaucracy.

No government since Soeharto has taken decisive steps to combat the deficiencies of the state sector. The rhetoric has always been there but has never been acted upon, creating a huge policy credibility gap in administrative reform issues. This legacy of forgotten reforms continues under the present administration of President Megawati. The government has failed to provide clearly defined policies backed by resolute enforcement with regard to three core issues: fighting corruption in the public sector; improving the civil service; and

adjusting the structure of the central government administration to accommodate a decentralised framework of functions and responsibilities.

## Fighting Corruption – Mission Impossible?

KKN was a key issue in the *reformasi* movement. In 1999 the parliament passed two laws related to corruption: Law No. 28/1999 on clean and accountable government, and Law No. 31/1999, the Anti-corruption Law. The latter was amended in 2001 to put the burden of evidence on the accused in order to make prosecution easier.

Public sector corruption is, however, embedded in strong informal systems of behaviour within the civil service[12] and is notoriously resistant to formal measures such as legislation. Corruption therefore continues to tarnish the image of Indonesia, as evidenced in its repeated listing as one of the world's most corrupt countries.[13] In April 2002, the chair of the State Audit Board (BPK), Satrio B. Judono, was quoted as saying that there is 'no significant difference in the percentage of budget irregularities under the previous governments and the present one' (*Jakarta Post*, 11 April 2002; see also *Kompas*, 18 September 2002). In 2001, the Partnership for Governance Reform (2002) conducted a series of surveys that showed how widespread corruption had become. The police, customs authorities and the courts were singled out as having the highest levels of corruption in the public sector.

In the administration, corrupt practices occur wherever private and corporate citizens need papers and documents, licences and permits. Corruption is also a permanent feature within the civil service, where recruitment, placement and promotion involve the payment of fees by candidates:

> Positions and promotions are offered for sale and loans for the investment to buy positions have to be paid back by incumbents during their careers while their rent-seeking also has to yield some immediate surplus … Positions are thus not filled through selection based on merit; they are sold or bought or given and received for illicit reasons (ADB 2002: 188).

Low pay is frequently put forward as a driving factor behind corrupt behaviour. Recent research has shown, however, that the earnings of government employees are on average comparable to those in the private sector, thereby undermining the argument that increasing the level of civil service remuneration would reduce corruption (Filmer and Lindauer 2001).

In February 2002, the Ministry for Administrative Reform sent out a circular on anti-corruption measures, advising ministers and regional heads on the forms of corruption, the main reasons for corrupt behaviour and the steps that could be taken to combat corruption (Menpan 2002c). However, no decisive

policy has been devised by the respective government and law enforcement agencies. Some commentators have argued that decentralisation has led to a spread of corrupt practices to the regions. It can be argued, though, that given the widespread culture of corruption in the state administration, decentralisation has simply widened the opportunities for corrupt practices at the regional level while reducing such opportunities at the central level.

**Reforming the Civil Service**

Between 1994 and 1998 the government pursued a zero-growth policy for the civil service, with questionable results (Hardijanto 2002b: 3). From 1998 to 2001, it actually tried to reduce the size of the bureaucracy by not replacing staff that had retired, except those deemed to be 'strategic personnel'. However, the implementation of these policies was not systematic in relation either to the numbers or the qualifications of newly recruited staff (Menpan 2002d: 2–3).

The government is aware of the problems in the present civil service, which have also been examined by international agencies such as the World Bank (1999b). At a national coordination meeting held in February 2002, a senior official of the Ministry for Administrative Reform listed the following as the main issues for civil service reform:

- lack of a human resource management orientation (as compared to personnel administration);
- a distribution of civil servants that was not in line with the distribution of tasks and functions between levels of government, between sectors and between regions;
- the lack of a merit orientation in the civil service;
- a lack of correlation between remuneration, tasks and responsibilities; and
- a weak system of accountability (Hardijanto 2002a).

According to the ministry, the government is working on a number of reform initiatives for 2002–04, including a review of the role and functions of government agencies; regulation of working mechanisms; and measures to increase human resource capacities, improve performance appraisal systems, curb corruption and increase the quality of public services (Menpan 2002a). The ministry estimates the cost of implementing such policies to be Rp 1.5 trillion.

One of the policies under consideration is a rationalisation of the civil service. Various justifications have been put forward for this, including the impact of the economic crisis, the shift of government to a more regulatory role, the redistribution of government functions arising from decentralisation, and the increasing adoption of labour-saving technological advances such as office

automation (Hardijanto 2002b: 2). Again, no concrete action plan has been announced, nor has a time frame for implementation been set out.

### Central Government Administrative Reform

There have been few initiatives under the present Megawati administration aimed at reforming public sector structures and mechanisms. Exceptions include the controversial merger of the Environmental Protection Agency (Bapedal) with the Ministry for Environment in early 2002 and the transformation of four leading state universities into self-contained public law bodies (BHMN). The overall set-up of the departments and state ministries in Megawati's cabinet does not reflect any attempt at streamlining the government administration in line either with the decentralisation policy or with current international thinking on public sector reform.

Initially, decentralisation was expected to lead to significant reductions in the size of the central government administration (Büntjen 1999: 21). In October 2000, the then State Minister for Administrative Reform, Ryaas Rasyid, stated that about 250 echelon I (highest-ranking), 500 echelon II and 2,000 echelon III positions would be abolished at the central level of the civil service.[14]

As can be seen from Table 17.3, there has indeed been a significant reduction in management positions in the central government administration. The total number of such positions has fallen by more than 50 per cent since 1999, with the decrease especially evident at the lower two levels (echelons III and IV). At the same time, the number of echelon I positions has nearly doubled since 2000, and there was a substantial increase in echelon II positions during the same period. These contrasting trends between the relative sizes of the upper and lower echelons have resulted in a sharp narrowing of the span of control. The ratio of echelon I to echelon II positions decreased from 6.9 to 3.5, and the ratio of echelon II to echelon III positions from 6.6 to 3.2, a figure more befitting organisations dealing with complex and non-standardised tasks such as policy analysis and formulation.

On the other hand, the reduction in the number of management positions does not of itself indicate the extent to which central government agencies have reduced the total number of staff in their head offices as a result of decentralisation and the devolution of functions from the national to the regional level. Budget figures do not provide a clear picture either: the proportion of central government spending on personnel decreased by 0.6 per cent of GDP between 2000 and 2001, and since then has remained at between 2.4 and 2.7 per cent (Table 17.4). Some central government departments have reported a significant reduction in their expenditure on personnel; others (such as the Department for

*Table 17.3 Number of Structural Positions at the Central Government Level, 1999–2002*[a]

| Level | 1999 | | 2000 | | 2002 | | |
|---|---|---|---|---|---|---|---|
| | (no.) | (%) | (no.) | (%) | (no.) | (%) | (% of 1999) |
| Echelon I | 302 | 0.4 | 259 | 0.4 | 501 | 1.6 | 165.9 |
| Echelon II | 2,102 | 2.7 | 1,253 | 1.8 | 1,761 | 5.6 | 83.8 |
| Echelon III | 13,965 | 17.9 | 13,254 | 18.8 | 5,642 | 17.9 | 40.4 |
| Echelon IV | 61,589 | 79.0 | 55,739 | 79.1 | 23,652 | 75.0 | 38.4 |
| **Total** | 77,958 | 100.0 | 70,505 | 100.0 | 31,556 | 100.0 | 40.5 |

a Data for 31 March 1999, 30 September 2000 and 1 July 2002. Data for 2002 for echelon IV officials do not include officials with functional positions.

*Source*: BKN.

Settlements and Regional Infrastructure) have reported a considerable increase (Table 17.5).

The transfer of public service delivery functions to the regions should be accompanied by a corresponding fall in central-level expenditures for such services. However, as can be seen from Table 17.6, development budget allocations for central government agencies in five key areas of regional autonomy (agriculture, education, health, forestry/plantations, infrastructure/public works) increased substantially between 2000 and 2002. Thus the central administration continues to command extensive budget resources for government functions that have been transferred to the regions, highlighting the urgent need for a comprehensive assessment of the assignment of expenditure.

Modifications of the central government administration do occur, but they tend to be incremental, and are not based on a tangible strategy or medium-term policy. They deal with forms and structures, but not with work systems and procedures of administration. Processes of policy formulation and analysis continue to be disconnected from the regions that are expected to implement such policies, thus reducing the effectiveness of the decentralisation policy. Until now, vested interests have ensured that substantial budget resources have remained at the disposal of central government agencies. It remains to be seen whether the introduction of special purpose grants to the regions in the 2003

*Table 17.4 Central Government Expenditure on Personnel, 1998–2003*[a]

| Year | Rp trillion | % of GDP |
|---|---|---|
| 1998/99 | 24.7 | 2.3 |
| 1999/2000 | 33.6 | 2.7 |
| 2000 | 29.4 | 3.2 |
| 2001 | 38.2 | 2.6 |
| 2002 | 40.7 | 2.4 |
| 2003 | 51.9 | 2.7 |

a The 2000 financial year ran from April to December 2000. Figures for the 2003 financial year are from the draft budget.

*Source*: Ramstetter (2000: 20); Siregar (2001: 289); Nombo (2000: 290); Ministry of Finance.

*Table 17.5 Expenditure on Personnel of Selected Central Government Departments, 2000–02*[a]

| Department | 2000a (Rp billion) | 2000b (Rp billion) | 2002 | |
|---|---|---|---|---|
| | | | (Rp billion) | (% of 2000b) |
| Agriculture | 392.9 | 532.9 | 317.4 | 59.6 |
| Health | 1,064.3 | 1,419.1 | 833.1 | 58.7 |
| Forestry and plantations | 184.5 | 245.9 | 207.8 | 84.5 |
| Settlements and regional infrastructure | 77.7 | 103.6 | 167.1 | 161.3 |

a Data for 2000a indicate allocations for the 9-month budget year based on Presidential Decree No. 116/2000. Figures for 2000b indicate the extrapolation of these data for a 12-month period.

*Source*: GOI (2000a, 2002).

*Table 17.6 Development Expenditure for Selected Departments*

| Department | 2000a | | 2000b | 2002 | |
|---|---|---|---|---|---|
| | (Rp billion) | (%) | (Rp billion) | (Rp billion) | (%) |
| Agriculture | 369.7 | 1.5 | 529.3 | 1,400.0 | 5.3 |
| Education | 2,263.9 | 8.9 | 3,018.5 | 7,083.7 | 26.8 |
| Health | 750.0 | 2.9 | 1,000.0 | 2,403.0 | 9.1 |
| Forestry and plantations | 100.0 | 0.4 | 1,333.3 | 112.0 | 0.4 |
| Settlements and regional infrastructure | 1,172.4 | 4.6 | 1,563.2 | 3,995.5 | 15.1 |
| **Total development expenditure** | 25,575.7 | | | 26,469.1 | |

a Data for 2000a indicate allocations for the 9-month budget year based on Presidential Decree No. 116/2000. Figures for 2000b indicate the extrapolation of these data for a 12-month period.

*Source*: GOI (2000b, 2002).

national budget will bring about the necessary adjustments in the assignment of expenditure.

## OUTLOOK

Brietzke (2002) has highlighted the problem of administrative reform often being in the hands of the very groups that stand to lose power if reforms are implemented. It is not surprising, then, that these groups may inhibit or obstruct change.

> Reformers face the paradox of needing massive governmental interventions to end massive governmental intervention. They are expected to use state power to promote the very institutions of civil society that will eventually constrain and check state power (Brietzke 2002: 111).

Brietzke's comments point to the need to reconfigure the power structures in the Indonesian polity, so that the bureaucracy can be held in check by representative bodies, active and skilled civil society organisations, a functioning legal

system, and responsible and investigative mass media. No government will be able to tackle all these issues at the same time. However, a focus on reforming the bureaucracy could have important benefits for other spheres, such as the economy and political processes.

Decentralisation has changed the environment in which regional administrations operate. It is no coincidence that most administrative reform has taken place at the local level. Decentralisation has reconfigured local power structures and opened up channels for social control and more democratic decision-making processes, thus forcing bureaucrats to become more responsive and accountable. Performance management issues feature prominently in international assistance to Indonesia, and the government is committed to establishing minimum standards for public services at the regional and national levels. Recent reforms of regional financial management systems, including the introduction of performance-based budgeting,[14] have the potential to strengthen further the pressure for service-oriented administration at the regional level. The effects will be felt only in the medium term, however, as the realisation of these reforms will take much longer than the anticipated mandatory start of performance budgeting in 2003. They can succeed only if complemented by changes in management practices and the implementation of a performance-based reward system, both of which fall under the central government's authority.

As Kusumaatmadja points out, local initiatives for administrative reform go unnoticed by the central government and are not embedded in a broader policy framework.

> Instead of providing leadership and vision, the central government is split into two opposing stances. One is a denial that a crisis is taking place, the other is busy dealing with technicalities in well-meaning micro management exercises in response to crisis (Kusumaatmadja 2002: 2).

An overhaul of the central government administration – in terms of a review of functions, structures, funding and working mechanisms – would add an important dimension to the reform processes that are emerging at the regional level. Such an effort needs political vision, commitment and the will to systematically enforce change. Unfortunately, this is not yet in sight.

## NOTES

This chapter benefited from comments and suggestions by Claudia Büntjen, Robert A. Raitt and Peter Rimmele.

1 A brief note on the terminology: 'civil service reform' will be used to denote changes and modifications to the system of human resource management, while the

broader term 'administrative reform' or 'reform of the bureaucracy' also includes organisational changes, changes of working mechanisms and the review of public sector tasks and functions. The Indonesian equivalent to administrative reform is *pendayagunaan aparatur negara* (literally, 'improvement of the state apparatus').

2 These figures do not include military and police personnel, nor the workforce of public (state-owned) enterprises (BUMN/BUMD). Neither do they include non-permanent or casually employed civil servants (*pegawai bukan tetap* or *pegawai honor*).

3 These figures refer only to district governments.

4 This increase in echelon levels was meant to improve the prospects of central-level civil servants in finding adequate management positions at the regional level (ADB 2002: 101).

5 Government Regulation No. 84/2000 outlines the categories of administrative institutions that local governments may establish. It gives wide discretion to the regions in determining their structure. In contrast, Ministerial Decree No. 50/2000 follows the traditional approach in determining local structures down to the micro level. As a ministerial decree, however, it is not binding on the regions.

6 On the new intergovernmental fiscal transfer system, see Lewis (2001); Silver, Azis and Schroeder (2001); Ahmad et al. (2002); and Ahmad and Mansoor (2002).

7 See *Kompas* (6 August 2001). The increase is regulated in Presidential Decree No. 64/2001.

8 See, for instance, 'Megawati Slams Regionalism in Recruitment', *Jakarta Post*, 12 February 2002.

9 'Kualitas Birokrasi Indonesia Memburuk', *Kompas*, 16 June 2002

10 The 2000–04 Propenas includes a considerable number of programs addressing public sector and civil service issues, such as the Program for State Administration Control (Program Pengawasan Aparatur Negara), Program for Reviewing Institutions and Work Procedures (Program Penataan Kelembagaan dan Ketatalaksanaan), Program for Increasing the Quality of Public Services (Program Peningkatan Kualitas Pelayanan Publik) and Program for Increasing the Capacity of Regional Governments' Administration (Program Peningkatan Kapasitas Aparat Pemerintah Daerah).

11 However, it has to be noted that these figures do not include a substantial number of non-permanent staff working on an honorarium basis (Büntjen 1999: 24).

12 An unpublished recent World Bank report calls this the 'patronage and group management system' (World Bank 1999b: 24).

13 See, for example, 'Indonesia Remains Most Corrupt Economy in Asia', *Jakarta Post*, 11 March 2002; Dick (2001: 13); and Athukorala (2002: 143–4).

14 See *Kompas* (21 October 2000). Whether this was a serious proposal seems somewhat doubtful considering that the total number of echelon I positions in central government agencies at that time was around 260 (Table 17.3).

15 Introduced under Ministerial Decree No. 29/2002 from the Ministry of Home Affairs.

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